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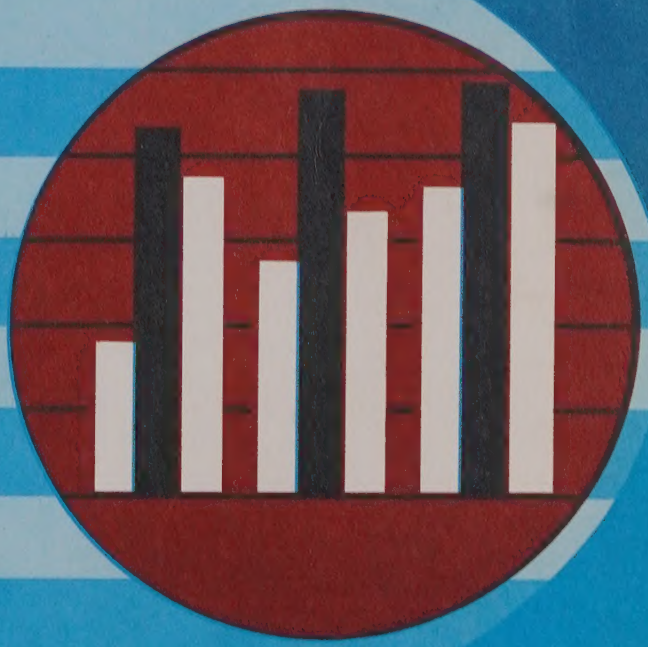
ECONOMIC SURVEY OF ASIA AND THE FAR EAST 1969



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OF

ASIA AND THE FAR EAST

1969

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ECONOMIC BULLETIN FOR ASIA AND THE FAR EAST

Beginning with the ninth volume, for 1958/59, the *Economic Bulletin for Asia and the Far East* is issued quarterly, in June, September, December and March (instead of May, August, November and February). The March issue contains the annual *Economic Survey of Asia and the Far East*. The June and September issues contain articles and notes on subjects related to the Asian economy. The December issue features special studies and reports relating to economic development and planning. All four issues include a compendium of Asian economic statistics.

The *Bulletin* is prepared by the secretariat of the Economic Commission for Asia and the Far East and is published entirely on the responsibility of the secretariat. The designations employed and the presentation of the material in this publication do not imply the expression of any opinion whatsoever on the part of the secretariat of the United Nations concerning the legal status of any country or territory or of its authorities, or concerning the delimitation of the frontiers of any country or territory.

Since the 1957 issue, the *Economic Survey of Asia and the Far East* has, in addition to a review of the current situation of the region, contained a study on some major aspect, or problem, of Asian economy as below:

1957: Postwar problems of economic development

1958: Review of postwar industrialization

1959: Foreign trade of ECAFE primary exporting countries

1960: Public finance in the postwar period

1961: Economic growth of ECAFE countries

1962: Asia's trade with western Europe

1963: Import substitution and export diversification

1964: Economic development and the role of the agricultural sector

1965: Economic development and human resources

1966: Aspects of the finance of development

1967: Policies and planning for exports

1968: Economic problems of export-dependent countries
Implications of economic control and liberalization

1969: Strategies for agricultural development
Intra-regional trade as a growth strategy

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PREFACE

The present *Survey* is the twenty-third in a series of reports prepared annually by the secretariat of the Economic Commission for Asia and the Far East. A major object of these *Surveys,* and of the quarterly *Economic Bulletin,* is the analysis of recent economic developments in the countries of Asia and the Far East, and of international developments that affect them. Particular attention is paid to the analysis of economic policy and of policy issues.

Since 1957 it has been the practice in the annual ECAFE *Survey* to examine specific problems concerning the economies of the region in order to study long-term trends and their implications for national policies. In Part One, the present *Survey* contains two such studies: the first of strategies for agriculture and the second of intra-regional trade. Part Two contains a review of economic developments in the ECAFE region in recent years, 1968 and 1969 in particular, on the basis of information available to the secretariat at the time of completion of the *Survey* (March 1970).

The *Survey* is published on the sole responsibility of the secretariat; the views expressed should not be attributed to the Commission or to Governments of member countries.

Bangkok, March 1970.

EXPLANATORY NOTE

The term *ECAFE region* is used in the present issue of the *Survey* to include Afghanistan, Australia, Brunei, Burma, Cambodia, Ceylon, China (Taiwan), Fiji, Hong Kong, India, Indonesia, Iran, Japan, the Republic of Korea, Laos, Malaysia, Nepal, New Zealand, Pakistan, the Philippines, Singapore, Thailand, the Republic of Viet-Nam and Western Samoa. Unless otherwise specified or made clear in the text, it excludes mainland China, Mongolia, North Korea and North Viet-Nam, all centrally planned economies for which adequate information or comparable statistics are not available. Malaysia includes the territories of West Malaysia (the former States of Malaya) and East Malaysia (Sabah and Sarawak), so that statistics relating to previous years often have to be given for these member countries separately. There are also cases where national figures of previous years are combined to compare with those of later years. The term *developing ECAFE region* excludes Australia, Japan and New Zealand.

Unless otherwise stated, all statistical tables are compiled by the ECAFE secretariat on the basis of data published by governments and the United Nations and its specialized agencies.

Reference to "tons" indicates metric tons, and to "dollars", United States dollars, unless otherwise stated.

The term "billion" signifies a thousand million.

Three dots (...) indicate that data are not available or are not separately reported.

A dash (—) indicates that the amount is nil or negligible.

A blank in a table indicates that the item is not applicable.

A hyphen (-) between dates representing years, e.g. 1950-1960, is used to signify the full period involved, including the beginning and end years.

A slash (/) indicates a crop year, fiscal year or plan year, e.g. 1961/62.

The plan years of the ECAFE countries coincide with their fiscal years as given in the table below, except in the case of China (Taiwan), where the plan year coincides with the calendar year.

In respect of information given, the countries listed below have generally been included, subject to limitation of data.

Country	*Fiscal year*	*Currency and abbreviation*	*United States cents per unit of currency at end of December 1969 (selling rate)*
Afghanistan	21 March to 20 March since 1962/63	Afghani (Af)	2.222[a]
Brunei	January to December	Malaysian dollar (M$)	32.36
Burma	October to September	Kyat (K)	20.87
Cambodia	January to December	Riel (Ri)	1.800
Ceylon	October to September	Rupee (Rs)	16.75
China: Mainland	January to December	Yuan	50.00[b]
Taiwan	July to June since 1954/55	New Taiwan dollar (NT$)	2.494
Fiji	January to December	Fijian dollar	114.8
Hong Kong	April to March	Hong Kong dollar (HK$)	16.50[c]
India	April to March	Rupee (Rs)	13.23
Indonesia	January to December	Rupiah (Rp)	[d]
Iran	21 March to 20 March	Rial	1.320
Korea, Republic of . . .	January to December since 1957	Won (10 Hwan)	.328[e]
Laos	July to June since 1957/58	Kip (Kp)	0.417[e]
Malaysia	January to December	Malaysian dollar (M$)	32.36
Mongolia	January to December	Tugrek	25.00[b]
Nepal	16 July to 15 July	Nepali Rupee (Rs)	9.877[f]
Pakistan	July to June since 1959/60	Rupee (Rs)	20.87
Philippines	July to June	Peso (P)	25.38
Singapore	January to December	Singapore dollar (S$)	32.36
Thailand	October to September since 1961/62	Baht	4.76
Viet-Nam, Republic of .	January to December	Piastre (Pr)	0.847[g]
Western Samoa	April to March	Samoan tala (WS$)	142.86
Australia	July to June	Australian dollar(A$)	111.50
Japan	April to March	Yen (¥)	0.279
New Zealand	April to March	New Zealand dollar (NZ$)	111.37

[a] Par value starting 22 March 1963. Free rate: 1.3189 United States cents.
[b] Basic rate according to United Nations, *Monthly Bulletin of Statistics.*
[c] Official rate.
[d] Exchange rates per United States dollar are 277 and 385 for major export rate (official) and free market rate respectively.
[e] Official buying rate.
[f] Par value rate effective from 11 December 1967.
[g] Trade rate, invisible rate and troop pay rate.

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INTRODUCTION

The Economic Situation in Asia[1]

A review of developments in economic performance and policy in 1969 can scarcely be considered without looking both backwards and forwards in time. As the penultimate year of the First Development Decade, 1969 provides a vantage point from which to make a preliminary appraisal of performance in that decade. Though any appraisal will be subject to some revision later, it is important to establish a reasonably accurate benchmark as an aid to the consideration of the problems of the Second Development Decade. Planning for the decade ahead will, of necessity, be based on the gains which have been achieved in the recent past. At the same time, the lessons of experience must also be learned from the shortcomings of policy and performance. Only on the basis of total experience will it be possible to achieve the set targets and create viable policies for the coming decade.

One of the most notable gains has been the knowledge that the planning of economic policy can be efficacious. As little as a generation ago, many observers doubted whether planned development was the best instrument for achieving economic growth. The experience of the last two decades, however, has led to the idea and the practice of economic and social planning becoming generally accepted among the developing countries of the world, and the developing ECAFE region is no exception. The science and art of planning, of course, will always be capable of improvement and the burgeoning growth of expertise at all levels of the planning process promises that steady improvement will not be wanting.

At the practical level of implementation, however, much remains to be done. Though any single criterion can be faulted on grounds of its very simplicity, it is sobering to review the performance of the economies of the region in aggregative terms. For the developing ECAFE region taken as a whole, the growth of real gross product, from 1960 through 1967, is estimated to have been 4.7 per cent per year. This is an improvement on the 4.2 per cent of the preceding decade, but falls short of the 5 per cent target of the First Development Decade. If the marked improvement in growth performance of 1968 and 1969 can be sustained, it is quite possible that the target rate may be achieved, although, so far, the estimates for 1969 indicate that the developing region as a whole still fell short of the target for the nine years of the decade which have been completed. Acceleration in growth was consistently evident from 1967 through 1969 however, and if performance in 1970 is at least as good as that of 1969, the 5 per cent target will be attained.

It is chastening, however, to look at the performance in per capita terms. Again comparing the 1950s with the 1960-1067 period, it appears that per capita gross product for the developing ECAFE region increased from about 2 per cent per year to little more than 2.1 per cent. The implications of this comparison, however crude it may be, are inescapable: growth performance has not been sufficient to raise the real income of the mass of the people in this region by a significant amount. The later years of the 1960s have shown a general improvement in growth performance. In part, however, this represents recovery from slackened growth rates or outright recession around the middle of the decade. The general policy imperative for the commencement of the Second Development Decade must be to find the means for sustaining the momentum of growth.

In view of the rapid rate of population expansion in most countries of the region, the urgency of population control measures should not be under-estimated. It is in the nature of the problem, however, that rapid results cannot be expected; new measures for population control can only bring marked results after the next decade. It is important to remember, as an example of a circumstance bearing on the typically grave problem of unemployment in the region, that every person who will be a participant in the labour force of 1980 has already been born. However urgent the need for definitive measures of population control, the fact remains that such measures are not a substitute for 'conventional' measures aimed at raising output. A decrease in the rate of population growth does not increase output. A reduction in population growth rates means only that any achieved increase in real output goes farther in per capita terms than it would have done if population had continued to grow at the earlier, higher rate. Population control is thus only an adjunct to the package of measures to accelerate growth in real output; it is of crucial importance, nevertheless, where productivity is low, in order that the maximum possible portion of the incremental product may be devoted to investment for further growth.

While reference to the growth of real product per capita is an indispensable qualification to the crude measure of growth in aggregate real product, this measure also obscures a meaningful assessment of changes in human welfare. Inequalities in the

[1] This account is based on the discussion of recent developments in economic policy and performance in the developing countries of the ECAFE region in Part II of this *Survey* and examines the issues related to the special studies in Part IA and Part IB.

enjoyment of real income are still obvious in most developing countries in the region. Despite the welcome improvement in growth rates, the poverty of the masses cannot be ignored. The situation is serious in many countries: the persistence of poverty in the backward rural areas of the ECAFE region and its congested cities, in particular, can threaten the very foundations of society, if remedial measures are not initiated in time. As governments and planners look ahead towards the Second Development Decade, their priorities will reveal a consciousness that a more equitable distribution of the gains of development is at least as important as the gains themselves; without a broad under-current of support for, and a sense of participation in, the national effort to create a more prosperous and equitable society, the very basis for that effort may be undermined.

Although the particular forms of inequality in the distribution of opportunity and income vary from country to country, the broad characteristics are common to most. In large part, they represent great differences in productivity and are thus an expression of the wide differentials in the efficiency of use of economic resources among the various sectors. Although productivity is typically lowest in subsistence agriculture, there are considerable segments of activity in commerce, the services and in small-scale manufacturing where output per head of labour force does not permit a satisfactory level of real income. The remedies required are simple to prescribe but difficult to implement; they involve the concurrent raising of productivity in all sectors and the shift of labour and other factors of production from less productive to more productive employment. The process of increasing productivity can generate inequalities, however, if it is not accompanied by the social and economic policies to ensure widespread participation in the productivity gains. For example, the demonstrated productive potential of the new high-yielding varieties of wheat and rice commonly provides greater and more immediate gains for the larger farmers, because their initially advantageous position permits them the greatest scope for the exploitation of the new technology. Governments must find the means to provide the opportunity to share in this potential for all who desire it. Industrial development, in turn, involves marked improvement in productivity; on the whole, however, increases in industrial output outstrip the growth of employment. Yet the promise of job opportunities in the teeming cities draws underemployed labour from the countryside and urban unemployment mounts. The existence of large-scale unemployment in urban areas must be recognized as a reflexion of inequality in the distribution of opportunity and of income. Limitations on markets and scarcity of capital and entrepreneurial talent, if not countered by appropriate measures, may contribute to the growth of monopoly positions in many economic sectors, with attendant effects on the distribution of opportunity and income.

Access to opportunity depends increasingly on the training and knowledge required for efficient economic performance. Despite the increasing awareness of governments of the necessity to up-grade the skills and competence of the labour force—and, indeed, to raise the general level of literacy and elementary education in order to provide an efficient work force—educational opportunities are deficient, particularly in rural areas. This deficiency is double-edged: not only does it reduce the possibility of individual improvement and access to economic opportunity but it also limits the contribution of a large mass of people to the development effort. Improvement in the extent and content of education thus becomes a means to both social and economic ends. Closely related to educational facilities are the health and medical services available to the population; these are also analogous in their two-fold character. The major constraint upon the improvement of these and other social amenities (such as low-cost housing and recreational facilities) is the ability of governments to finance the necessary investment and the rising current costs.

Recent growth performance and its sources

The tempo of growth has generally improved in the developing countries of the region during the past two or three years. This was particularly true of 1969 when the combined effects of improved outcomes in agriculture and favourable external markets contributed to the growth of several countries of the region. A rough classification according to annual growth rates in real gross product suggests that an increasing number of countries rose above the 5 per cent target rate during 1968 and 1969. During the latter year, at least two additional countries joined the ranks of those with growth rates exceeding 7 per cent per annum. As was said earlier, if this performance can be maintained, the 5 per cent target of the First Development Decade will be achieved.

Among the most rapidly growing economies during the last two years have been those whose export performance has been good. China (Taiwan) and the Republic of Korea are examples of export-oriented growth in manufacturing; the entrepôt-manufacturing economies of Hong Kong and Singapore are similar in this regard. The expansion of exports of manufactured goods from Pakistan has made a noteworthy contribution to that country's growth. Exports of petroleum products have given strong impetus to economic growth in Iran and Indonesia; for the latter, both new and traditional exports have also contributed. The Malaysian economy expanded rapidly in 1968 and 1969 in response to

the boom in rubber and tin, while Thailand's agricultural exports recovered in 1969, despite the fall in rice prices, as agriculture recovered from the drought of the previous year.

Improvement in agricultural production has been a major source of growth in several countries during the last two years. Ceylon, India, Indonesia, Pakistan and the Philippines all benefited appreciably from the increased output of high-yielding varieties in rice or wheat. However, except for rubber, palm oil, timber and a few less important products, world market developments have not favoured agricultural exports.

Production in industry, manufacturing in particular, continues to provide a major stimulus to growth in the countries emphasizing the export of manufactures. The concern of policy-makers has shifted in recent years towards a greater emphasis on agricultural development. On the whole, however, industrial growth has responded well to improvements in agricultural performance. In India, industrial recovery is well under way: a particularly healthy sign since manufacturing constitutes a significant part of gross national product. Manufacturing continues to expand in Ceylon and Pakistan. The industrial sector in Indonesia has begun to recover from years of neglect, in spite of competition from imports and credit stringency. Malaysia has initiated a new industrial strategy and the Philippines has launched a programme to re-develop its lagging industrial sector. In the several developing ECAFE countries which have increased their efforts in agriculture, supporting emphasis is being given to agro-industries which process agricultural commodities or provide inputs for farm production.

Differential growth rates among the production sectors have brought about substantial structural changes in the economies of the region. Though the process of development and structural change is a long-term phenomenon, some of the shifts in structural patterns in recent years are noteworthy. The characteristic long-term pattern of change involves the relative decline of the primary production sectors (agriculture, animal husbandry, forestry and fishing) in terms of contribution to domestic product and total employment. As growth proceeds, labour and other factors of production shift out of agriculture and into other sectors where output per head of work force is higher. The share of domestic product and labour force in secondary production sectors (manufacturing, construction, utilities and transportation) typically expand at rates greater than the general average. Changes in the shares of the tertiary sectors depend upon a number of diverse influences and hence bear no unique and simple relationship to changes in the production sectors.

During the past two decades, substantial structural change has occurred in the developing ECAFE countries; economies that record the greatest structural transformation are generally those which have achieved the higher rates of growth in total product. Year-to-year changes in production structure are seldom significant, as they frequently reflect short-term variations in prices, capacity utilization and profits. To the degree that these variations influence the pattern of investment, however, the changes tend to be long-lasting. Policy measures which affect the internal terms of trade and, particularly, investment decisions, can have a determining influence on the sectoral allocation of resources; the rate and pattern of structural change are thereby affected and hence also the composition and rate of growth of real domestic product.

In the last few years, variations in policy and growth performance have had measurable effects on sectoral resource allocation. In India, for example, the serious decline in agricultural growth in the mid-1960s caused a retardation in structural change and over-all growth. The subsequent shift in development policy, dictated by the threat of continued shortfalls in food production, has caused the slowing down of the continuing structural transformation. To recapture the dynamism of industrial growth, policy emphasis has turned towards export diversification and the promotion of industrial exports.

Philippine experience demonstrates the limitations of import-substitute manufacturing as a development policy. By the 1960s, structural change in the Philippine economy had slowed markedly, though significant improvement in agricultural production and increased exports of primary commodities helped to maintain tolerable rates of over-all growth. Policy has now been adapted to the need for the re-development of industry and the diversification and promotion of exports. In Malaysia, the current boom in traditional exports helps to maintain the production structure of export dependency, but dampens the growth of sectors producing for domestic use. There, too, policy-makers have responded with a set of policy measures to encourage manufacturing, the processing of domestic products for export and the diversification of exports.

Trade and external assistance

Export earnings continue to provide the most important source of foreign exchange for the developing countries of the region. Unencumbered by constraints on their use or by service costs, they are also the most valuable form of external purchasing power. Following an average annual rate of increase of some 5 per cent over the period 1961-1967, the export earnings of the developing ECAFE region began to expand more rapidly in 1968; preliminary estimates indicate that this expansion accelerated in 1969, and that most countries shared in the advance.

Table 1. Developing ECAFE countries: Growth of domestic product, 1950s and 1960s

(per cent per annum)

	1950s[a]	*1960s*[b]
Developing ECAFE countries	4.2	4.7[c]
(per capita)	(2.0)	(2.1)[c]
Selected countries[d]		
India	3.9	3.2
Indonesia	3.3	2.6
Pakistan	3.0	5.6
Iran	—	7.8
Philippines	6.8	4.3
Korea, Republic of	4.8[e]	8.4
Thailand	5.8	7.1
China (Taiwan)	8.0	10.0
Malaysia[f]	4.1[g]	5.7[c]
Ceylon	3.7	4.4[c]
Burma	6.0	2.8[c]
Cambodia	6.8	3.1[h]

Sources: United Nations, *Yearbook of National Accounts Statistics, 1968* and national sources.

Notes: [a] 1951-1960 unless otherwise noted.
[b] 1960-1968 unless otherwise noted.
[c] 1960-1967.
[d] Order of size of GDP (approx.) in 1966.
[e] 1953-1960.
[f] 1950s: West Malaysia, 1960: all Malaysia.
[g] 1955-1960.
[h] 1960-1966.

After a general slackening in the growth of expenditure on merchandise imports in 1967 and 1968, imports grew somewhat more rapidly in 1969.

For the developing countries of the region, a large part of the demand for imports is compressible only at the expense of reduced levels of investment. Substantial foreign exchange savings have been made in recent years as a result of increased production of basic foodgrains and other import-substitute consumers goods. Concurrently, however, there has been an initial increase in import requirements for industrial products to support programmes of agricultural expansion and for intermediate inputs for manufacturing. Development expenditure, typically with a substantial import component, is frequently constrained when foreign-exchange stringency arises. Hence, the improvement in export earnings is increasingly the aim of policy. Though the degree of export dependency varies widely among countries, the import requirements of development make export earnings a vital concern to virtually all.

During the period 1961-1967, while world exports grew at an average rate of 8 per cent a year, exports from the developing ECAFE region[1] increased by

[1] Excluding Iran, which is classified separately in the source (United Nations, *Monthly Bulletin of Statistics*, March issues, special table E).

Table 2. Developing ECAFE countries: Comparative growth performance, 1960s

Growth rate[a]	*1960-1967*	*1968*	*1969*
7 per cent and over	China (Taiwan) 10.0 Korea, Rep. of 7.8 Iran 7.5 Thailand 7.1 Singapore 6.9	Singapore 16.8 Korea, Rep. of 13.3 China (Taiwan) 10.3 Iran 10.1 Ceylon 8.2	Korea, Rep. of 15.5 Singapore 13.8 Iran 10+[b] Malaysia 8.6[b] China (Taiwan) 8.3 Thailand 7.9 Ceylon 7.0
5 per cent to 7 per cent	Pakistan 5.7 Philippines 5.7 Malaysia 5.7	Nepal 6.6 Indonesia 6.6 Thailand 6.5 Philippines 6.4 Malaysia 5.8 Pakistan 5.2	Indonesia 6.8[b] Philippines 6.3 Pakistan 6[b] India 5.5
Less than 5 per cent	Cambodia 4.5 Ceylon 3.8 India 3.2 Indonesia 2.0 Nepal 2.2 Afghanistan 1.9 Burma 2.7	Afghanistan 3.5 India 1.8	—

Sources: United Nations, *Yearbook of National Accounts Statistics, 1965* and national sources.

Notes: [a] Annual rates of growth in gross domestic product at constant market prices, except as follows: gross domestic product at constant factor cost: Ceylon, Iran, Pakistan, Singapore; gross national product at constant market prices: China (Taiwan), Republic of Korea, Philippines; net national product at constant factor cost: India; gross domestic product at current market prices: Malaysia (1968 and 1969). Data for Afghanistan, Burma, Cambodia and Nepal are not available for all years.
[b] Crude, unofficial estimates.

barely 5 per cent per year. Regional exports of manufactures expanded most rapidly and the share of manufactured goods (chiefly textiles and other light manufactures) increased from one fourth of total regional exports in 1961 to nearly two fifths in 1967. Traditional exports grew much less rapidly, in large part due to declining prices in world markets; the share of primary products exports fell from nearly 40 per cent of total exports from the region to about 29 per cent in this period. Although the region's exports to the advanced countries grew somewhat more rapidly than the total, the failure of regional export growth to approach the rate of growth of world exports reflects the inadequacy of measures to liberalize world trade. In addition to declining prices for traditional exports, Asian exports of manufactures continue to face onerous barriers to trade erected by the advanced countries. That the requirements of the developing world for foreign aid could be markedly reduced by increased access to the markets of the developed countries cannot be too frequently repeated. It is equally clear that reciprocity is an insufficient answer. Because of the requirements of the developing world for imports which they cannot as yet produce, unilateral reduction of barriers by the advanced countries poses no threat to the growth of world trade.

The share of intra-regional exports in the total exports of the region declined somewhat during the 1960s. This decline was substantial in foodstuffs, largely as a result of import-substitute production in foodgrains and the increasing supplies of foodstuffs from outside the region. A decline in the importance of entrepôt trading partly explains the fall in the intra-regional share of exports of crude materials. The largest relative decrease in the intra-regional share appears in manufactures, reflecting increased production capacity in light manufactures for domestic markets and, to some extent, for exports to markets outside the region.

The varied growth rates of different commodity groups among total imports into the developing ECAFE region in 1961-1967 reflect the increasing requirements for investment goods and intermediate products for industry and agriculture. Imports of machinery and transport equipment and of chemicals expanded most rapidly. The food, beverage and tobacco group also expanded at above-average rates, but, on the whole, changes in the composition of imports were relatively small. Imports of manufactured goods of all kinds, except processed foods, beverages and tobacco products, increased to five eighths of total regional imports in 1967; of this, well over two fifths was in machinery and transport equipment, that is, mainly investment goods. More than half the reduction in intra-regional imports was attributable to the decreased importance of imports of food, beverages and tobacco products from within the region. A third of the decline in the intra-regional share is accounted for by primary products, while a minor part is attributable to manufactured goods.

These developments in trade patterns during the 1960s reflect inter-locking problems and, by implication, point to possible remedial action. Patterns of trade reflect complementarities in structures of production and their changes are similarly related. During most of the last decade, regional exports failed to expand as rapidly as import needs; concurrently, the developing ECAFE region failed to supply even a stable share of its own regional markets. The great difficulty experienced in the drive to expand exports to the developed countries and the inadquacy of the gains from trade based on existing patterns of complementarity and comparative advantage, suggest that a new orientation is urgently desirable.

Potential complementaries exist among the developing ECAFE economies; the process of economic development consists of a structural transformation in production capacity. These potential complementaries can be exploited through co-operative efforts in development within the region and the expansion of intra-regional trade is essential to such a process. Such a strategy of development of intra-regional trade and production complementarities will create viable economic systems through progressive integration of less viable economies. The need is plainly visible: the means to co-operation and integration should be sought through practical efforts in co-operation among the countries of the region.

The generalized trade gap of the developing ECAFE region increased rapidly during the last decade, at least until the last two years. The flow of invisibles alleviated the strain in some countries; but, more frequently, perhaps, the opposite was the case. In a few countries, private foreign investment has made an increasingly significant contribution in recent years; unless there is a marked slackening in growth in the industrialized world, it may be expected that flows of private capital will continue to increase. Private investment, however, is highly selective in its choice of opportunities. Private capital flows readily towards investment opportunities where rates of return are high, for example in petroleum, other minerals and timber, and, to a lesser degree, manufacturing. Serious issues of economic control arise even in these sectors.

For the foreseeable future, most developing countries in the region will continue to need foreign aid, either as grants or in the form of loans on easy terms. Market loans can scarcely be considered to constitute aid. Concomitant with the lessened overall availability of external assistance, the cost of borrowing abroad has risen with the general increase

in interest rates in world money markets. For an increasing number of countries, debt-service ratios have risen alarmingly in recent years. In some cases, the re-scheduling of repayments has provided a temporary respite, but, on the whole, this stratagem is little more than a palliative. Its success remains contingent upon a massive growth in the capacity to export, and it is here that the fundamental emphasis must be placed.

Over-all flows of official aid to the developing world rose to a plateau and then began to decline from 1968 onwards. After a brief increase in 1967 in the share of total world aid going to Asian countries, the tendency of aggregate official inflows to the region is now downwards, in keeping with the behaviour of world aid flows. Some changes in the country pattern of aid to Asia appear to be taking place, with a rising share of the total flow beginning to go to smaller countries and Indonesia, and a falling share to the erstwhile largest recipients, India and Pakistan. Smaller recipients of foreign assistance in Asia have found aid inflows stable and even increasing; previous recipients of large-scale aid, China (Taiwan) and the Republic of Korea, have moved towards larger shares of private foreign investment and commercial loans to supplement their expanding export earnings. There is some indication as well that more purposeful redistribution of development assistance is in the making. Recognition is growing that massive inflows of strategically-timed assistance can be of crucial importance to individual countries in the attempt to overcome major barriers to growth.

The increasing importance of multilateral aid, based on the joint efforts of major donor governments in the allocation of assistance, suggests an increasing degree of rationality in the pattern of aid flows. The rationalization of world aid through the co-operation of major donor countries may in part offset the effects of a decline in total assistance flows by increasing the effectiveness of aid. Increased channelling of assistance through the various international agencies should promote the same purposes.

Of particular interest to Asia is the current tendency towards a reduction of military expenditure by the United States and the United Kingdom. The American aim of disengagement from Viet-Nam will entail balance of payments difficulties and major economic adjustments for several countries in the region. The end of the Viet-Nam conflict will bring a great opportunity for international co-operation in the reconstruction of the areas laid waste by years of warfare. Participation of other Asian countries in this reconstruction could provide the source of a wide-spread stimulus to further growth. Aid from the developed countries for the reconstruction of Viet-Nam should be planned as a part of a broader effort in assistance for the development of Asian countries. The development potential implicit in the reconstruction of Viet-Nam can thus be dovetailed with a massive effort for the economic and social development of the ECAFE region as a whole.

Some implications of the new strategies for agricultural development

Much of developing Asia is on the threshold of a technical breakthrough in foodgrain agriculture, based on the biological potential of new varieties of rice, wheat and maize. Continued high rates of population growth and the failure, until very recently, of foodgrain production to increase more rapidly than population, endow this breakthrough with extraordinary importance. The questions of policy which are posed by the newly acquired potential for the production of major foodgrains run the gamut from over-all allocation of resources and pricing policy to issues of land reform and institutional rejuvenation in agriculture, credit, marketing, education and co-operation. Though the great bio-technical potential opens new choices for policy, concomitant problems are created which must be faced by governments, so pervasive and far-reaching are the implications of the "Green Revolution".

While it is quite clear that markedly increased yields can be achieved, not only in experimental plots but broadly across an array of large and small farms under widely varied agronomic and institutional conditions, the rate at which foodgrain agriculture can be induced to expand remains undetermined. Yet most of the policy issues created by the new potential depend on the rate of expansion of foodgrain output. Doubtless the first significant problem is whether the resource requirements of the new strategies are compatible with resource availabilities. For the national economy, the investment requirements of the high-yielding varieties programmes in irrigation facilities with advanced forms of water control, capacity to produce fertilizers, insecticides and other chemical inputs, and additional equipment for cultivation, drying, milling, storage and transport, go far beyond the levels of agricultural investment in most countries in recent years. Therefore, a policy decision to undertake such programmes, typically aimed at self-efficiency in foodgrain production in the medium term of five to eight years or sometimes less, implies the commitment of large-scale financial and physical investment resources, frequently including a moderate to high import component in the initial stages. The adoption of the new varieties programmes, then, entails heavy emphasis in economy-wide resource allocation in the direction of agriculture and this will produce a distinct shift in priorities in many countries in the region.

Institutional changes which may be required for the successful fulfilment of the new programmes are,

in part, clearly foreshadowed by the technical requirements. In some measure, however, institutional adaptation to the requirements of the new programmes is contingent upon particular policy choices. Land reform and the reduction of tenancy are a case in point. Thus far, the new technology has been generally regarded as institutionally neutral. This judgement is based on the perhaps overly sanguine assumption that the yield potential of the new varieties is sufficient to provide adequate incentives for large and small land-holders, freeholders and tenants alike. It may well be, however, that the ability of tenants and smallholders to accept the new techniques will frequently depend on the provision of technical information, reasonably-priced inputs (including access to controlled water supplies), and, most importantly, the provision of adequate credit at tolerable rates of interest. Experience thus far indicates that the larger land-holders, who have access to technical information, the required inputs and adequate credit, have been the first to accept the new techniques and have achieved the greatest increases in yield. Effective steps are now required to ensure that the tenant and the smallholder are also able to employ the new techniques to the full. The initial successes in exploiting the potential of the high-yielding varieties can be converted into a general characteristic of the "Green Revolution". Increased impetus towards mechanization is also implied by these programmes, but the consequent creation of additional redundant labour and the necessity for providing alternative employment opportunities have as yet been scarcely considered. Though the "Green Revolution" carries the promise of escape from the fear of hunger, the new productive capacity must soon be matched by output growth and employment opportunities in other activities—in other branches of agriculture and rural industries and in the modern urbanized sector.

The rate at which the new varieties programmes will be accepted by producers depends upon the critical nexus of achieved yields, production costs, effective prices and risks. Most countries aiming to increase the output of foodgrains have established guaranteed prices for major crops, and many influence producers' costs through subsidies for fertilizer, plant-protection chemicals, irrigation water and credit at less than market rates. The complex problem of determining the effective combination of cost-price relationships will influence the degree, as well as the extent, of acceptance of the new programmes. Lower levels of acceptance (utilizing less than optimum amounts of fertilizer and other necessary inputs) mean generally lower yields and hence a smaller increment to total output and a failure to exploit the full potential of the new varieties.

The issue of prices for foodgrains has another aspect which cannot be ignored by policy-makers, that of the cost of staple foods to consumers. As the consumer-acceptability of the new varieties is improved, the increased supplies of basic foodstuffs should decline in price, in order to effectuate an increase in real income for the mass of consumers. The complexity of the price-setting problem is thus increased as this requirement is added to the necessity of providing an incentive to producers. Doubtless the most feasible solution will be to encourage production through subsidization of inputs while the structure of foodgrain prices from farm to final consumer is permitted to decline in phase with the increase in available supplies. Stabilization of prices to avoid great seasonal swings requires careful planning and manipulation of buffer stocks. The entire complex of supply and price relationships, the provision of inputs and the creation of capacity for their production, as well as the provision of extension services and expanded credit facilities, poses extraordinary problems of economic management which will tax the capabilities of a broad spectrum of government agencies.

Finally, the prospect of the achievement of self-sufficiency in foodgrain production by increased numbers of countries in the region has serious implications for the traditional exporters of foodgrains. The impact of declining prices of rice on international markets has already begun to be felt. It is, therefore, imperative that co-operative efforts be made to adjust progressively to the new conditions. Such co-operation will be more feasible and the agreements evolved more viable if it is included in a wider framework of regional co-operation in matters of trade, production and economic planning.

PART ONE

A. STRATEGIES FOR AGRICULTURAL DEVELOPMENT

B. INTRA-REGIONAL TRADE AS A GROWTH STRATEGY

A. STRATEGIES FOR AGRICULTURAL DEVELOPMENT

Chapter I

INTRODUCTION

The recent biological breakthrough in agriculture, heralded by the advent of high-yielding and fast-maturing varieties of food plants, profoundly affects the processes of growth of agriculture in the developing countries. By altering production relations and relative profitabilities, it has brightened the prospects of transforming traditional agriculture into a modern and viable sector of the economy. The sustained growth of the area under high-yielding varieties, the extensive use of fertilizers and pesticides, the expansion of irrigation facilities, and the strategic changes in economic policies in general, and agricultural policy in particular, appear to add up to a revolutionary development in several countries of the ECAFE region.

The biological breakthrough occurred at a time when many countries had become increasingly concerned about the poor performance of their agriculture and its retarding effect on over-all growth rates, and also about the uncertainty affecting the future inflow of foreign resources and the growth of foreign debt repayment and servicing liabilities. In food-deficit countries these concerns led to urgent efforts to correct the chronic deficiency in food, which, if successful, would also save foreign exchange through import substitution.

A new agricultural technology is urgently needed for two reasons: the gradual disappearance of reserves of arable land and the failure of conventional techniques to provide a substantial increase in agricultural output from a given area. The growth of output, in particular of foodgrains, has barely kept pace with the rate of population growth and, in a few countries, has fallen below it.

The scope for technological innovation in agriculture has now changed. This is the result of the exceptional yield-potential and high fertilizer-responsiveness of the new high-yielding varieties and their short-maturity characteristics. Chemical fertilizers, new seed and assured water supplies thus form the main pillars of the "new strategy" which aims at an accelerated transformation of traditional agriculture. This suggests that the relative importance of growth of area will decline as a factor in the future growth of output. The strong technological orientation of the new strategy is also reflected in a widely held view that institutional changes are not a major pre-condition for the dissemination of the new technology: it is considered sufficient that the traditional farmer is generally an efficient and rational decision-maker.[1]

There is a considerable degree of overlap between the new and the conventional strategies, particularly if the use of high-yielding varieties is included in either. The conventional strategy does not preclude the use of modern inputs except that their use must be followed by improvements in irrigation, institutions and organizational arrangements. Similarly, assured supplies of water and basic inputs are crucial factors in the new technology and are assumed to be given.

The differences between the conventional and the new strategies, and especially between the local versions of either kind of strategy, are of the greatest interest in any attempt to predict the effects of the new strategy. It is, for instance, essential to know how much of any new strategy consists of doing known and tried things better than before, and how much of doing essentially new things in what is hoped will be the optimal fashion. The greater the reliance that has to be placed on known types of policy and economic response, the more will success depend on the ability to relieve known scarcities and imperfections of the familiar technical, institutional and administrative kinds.

The ultimate choice may vary considerably from country to country, depending on existing sectoral priorities and allocations, resource endowment and relative scarcities. For example, the supply of investible resources in a country may not be flexible enough to allow a major shift in favour of agriculture or the production of the modern inputs which are required by the new strategy. The institutional and political conditions and farmers' responses in some countries may not favour the acceptance of the new technology; or, where impediments are absent, the relative scarcities of resources, specific inputs or the means to produce them may create other impediments.

Evidently, the problem of choice is not confined to the agricultural sector, but involves the entire economy. Further, the varietal breakthrough is

[1] This premise is based on T. W. Schultz's hypothesis in *Transforming Traditional Agriculture* (New Haven, 1964) and re-affirmed in his paper "Production Opportunities in Asian Agriculture: An Economists' Agenda", presented at the Sydney Seminar of the Asian Development Bank, April 1969.

restricted to certain food crops and thus creates a bias in their favour within the total agricultural strategy. Such bias may distort the agricultural perspective in some countries, while the diverse cropping structure in other countries raises no such problems.

Scope of study

All these factors need to be considered in studying the strategies for agricultural development in the ECAFE region. The present study, however, is primarily concerned with the examination of output trends and sources of growth, the strategies chosen on account of the development of the high-yielding varieties, and their implications. Specifically, it seeks to answer the following sets of questions: (1) What are the existing strategies, the major objectives and instruments of policy and their recent changes? Do they, in practical experience, turn out to be so different as to justify regarding them as distinct alternatives? (2) What are the technical and economic implications of the "new strategy" at the micro-level? What are its aggregate and long-term implications, and the implicit policy requirements? (3) What, in general terms, are the prospects of the adoption of the new technology, and what are the required specific directions and modifications in policies?

The analysis will be concerned with agriculture proper, that is, all crops including plantation crops[2] but excluding livestock, poultry, fisheries and forestry, but more detailed treatment will be reserved for foodgrains. In the agricultural crop sector, the basic choices which follow from the development of new varieties are, by and large, independent of the choices in the other sectors.

[2] Here, too, the concern will be mainly with food crops since the development of new varieties affects them most.

Seven countries have been selected for study: Ceylon, India, Indonesia, Malaysia, Pakistan, the Philippines and Thailand. This selection is partly determined by the extent to which countries are faced by broadly similar choices.[3] Other countries were omitted for various technical reasons, including the lack of data.

Among the seven countries covered here, India, Indonesia, Pakistan and the Philippines seem to have adopted the new technology vigorously, with the greatest degree of commitment. Malaysia and Ceylon, while interested in the application of modern inputs including new seed, appear to be following a different line of approach. All six countries have deficits in food and aim at self-sufficiency. Output per acre is very low by comparison with China (Taiwan) and the Republic of Korea. Thailand is the only food-surplus country of the seven and finds its place in this study because of its reservations about the new high-yielding varieties.

After a brief survey of trends and factors in agricultural growth (chapter 2) the current objectives and instruments of agricultural policy will be reviewed (chapter 3). The technical peculiarities of cultivating high-yielding varieties will be summarized as an introduction to the associated problems of farmer response and of general economic progress (chapter 4). In the present early stage of experience, it seems permissible to give only an account of the situation and views thereon, followed by a description of what appear to be the alternatives for national agricultural policies.

[3] China (Taiwan) and the Republic of Korea, for instance, are of interest only to the extent of offering analogies. The so-called new strategy is no longer new for these countries. Their productivity levels are among the highest in the region and their problem is not to choose among alternative strategies but to find ways to raise productivity levels further.

Chapter II

TRENDS AND SOURCES OF AGRICULTURAL GROWTH

The general economic context and cropping structures

The state of economic policy and its opportunities must be seen in the context of the general economic features of the economies and their agricultural sectors. These may be briefly sketched by combining some of the traditional indicators of the levels of income in the seven countries, namely the relative position and organization of their agricultural sectors, population pressure, factor endoments, and levels of technology (table I-A-1).

Features common to these countries include large agricultural sectors and inadequacies of infrastructure, technique and productivity over large parts of their agriculture. The rates of growth of population in Ceylon, India Indonesia and Pakistan are high by world standards and very high in Malaysia, the Philippines and Thailand, but in none of these countries do trends in birth rates and death rates promise a significant easing of population pressure in the near future. In India, Indonesia and Pakistan, the situation may worsen before it begins to improve. The large share of agriculture in the GNP points not only to the effect of low agricultural productivity on aggregate national growth, but also to the size of the effort which will be needed to transform this sector into a progressive element in the growth process. The low level of agricultural technology is reflected in the small use that is made of modern inputs and in the low rate of mechanization. The irrigation ratio in some of the countries is extremely low. In almost all of them, irrigation facilities are basically of the "protective" type. These facilities are quite inadequate in terms of drainage, water control and water regulation. In Pakistan, a relatively high national irrigation ratio hides the relatively poor state of irrigation in East Pakistan.

Table I-A-1. Selected ECAFE countries: Economic features, 1967

Country	Rate of population growth (%)	Per capita GNP ($)	Share of agriculture in GNP (%)	Average farm size (ha)	Land man ratio[a] (ha)	Deficiency in food[b] (1966/67) (%)	Irrigated as share of cultivated area (%)	No. of tractors per 1000 ha[c]	Fertilizer[d] consumption kg/ha (1965/66)	Cereal yield t/ha
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Ceylon	2.6	124[e]	37.2	1.60	0.181	50.9	18.3	0.3	41.5	1.73
India	2.3	70	45.6	2.69[f]	0.357	11.1	16.0	0.4	5.0	0.81
Indonesia	2.2	80[g]	48.0	1.46	0.111	4.0	21.4	0.1	6.3	1.60
Malaysia	3.1[h]	315	30.7	5.92	0.312[h]	38.6	9.2[h]	0.5	15.2	2.64
Pakistan	2.4	112	45.7	2.36	0.243	3.7	38.8	0.1	5.6	1.22
Philippines	3.2	182	27.0[i]	3.58	0.269	10.0	12.0	0.7	14.1	1.05
Thailand	3.2	150	31.0	3.50	0.307	20.6[j]	21.2	0.3	2.9	1.73

Sources: (1) FAO, *State of Food and Agriculture, 1967.*
(2) Indonesia, Malaysia, Pakistan, India and Philippines: national sources; Ceylon: Central Bank, *Monthly Bulletin;* Thailand: Bank of Thailand, *Monthly Report.*
(3) Proportion of agriculture in GNP, Ceylon: Central Bank, *Monthly Bulletin*; Thailand: Bank of Thailand, *Monthly Report*; India: *Economic Survey, 1968/69;* Indonesia, Malaysia, Pakistan and Philippines: national sources.
(4) India, *National Sample Survey, 16th Round.* All other countries: Asian Development Bank, *Agricultural Survey*, Vol. II, p. 98. Most figures relate to 1960-1963.
(5) FAO, *Indicative World Plan for Agricultural Development*, October 1968, p. 4 and national sources.
(6) FAO, *Production Yearbook, 1967* and *Trade Yearbook, 1967* and national sources.
(7) FAO, *Bulletin, 1968.*
(8) ADB, *Agricultural Survey*, Vol. II, p. 98.
(9) ADB, *Agricultural Survey*, Vol. II, p. 98.
(10) FAO, *State of Food and Agriculture, 1967.*

Notes: [a] Arable land per capita relates to 1961-1963.
[b] Imports of foodgrains divided by domestic production plus imports.
[c] For Ceylon: 1969; India: 1966; Indonesia: 1962; Malaysia: 1961; Pakistan: 1965; Philippines: 1963 and Thailand: 1965.
[d] All three types of fertilizer taken together.
[e] For 1968.
[f] *National Sample Survey, 16th Round*, No. 113.
[g] Net national product.
[h] West Malaysia.
[i] 1966.
[j] *Exports* to production minus exports.

Turning to differences between countries, one finds a high per capita income and techniques with relatively high yield in Malaysia, and a relatively good infrastructure. intensive use of fertilizers and high yields in Ceylon. The relatively large average size of farms in Malaysia and Thailand points to the still comfortable land resource position of these countries: in both countries agricultural cultivation occupies only small portions (23 and 9 per cent respectively) of the geographic areas. The average size of farms in the whole of Pakistan, however, conceals an extremely small average size of farms in East Pakistan (about 0.55 ha) and high man-land ratios.

Thailand is the only food-surplus country among the seven; the rest depend in different degrees on imports to meet their growing food requirements. Ceylon and Malaysia are in deficit to the extent of 51 and 39 per cent of their total food requirements. These two countries are, of course, among the chief exporters of rubber (Malaysia) and tea and coconut products (Ceylon) which account for substantial parts of their GNP. In matters of general agricultural infra-structure, technique and productivity, however, each falls far short of the levels achieved in China (Taiwan) and the Republic of Korea. In China (Taiwan) and the Republic of Korea, fertilizer consumption per ha is about 4-5 times as large as in Ceylon (which, of the seven, uses the largest amount per ha): 50-70 per cent of the total area is irrigated and cereal yields per ha are about twice as great as those in Malaysia which has the highest cereal yield of the seven countries.

The cropping structures of the seven countries (table I-A-2) reflect differences in environmental conditions and resource endowments. The cropping pattern affects the trends of the growth in agricultural output. In addition, it determines the scope and the problems of agricultural development policies.

Table I-A-2. Selected ECAFE countries: Cropping structure, 1965-1968

(Percentage of total cropped area)

	Ceylon 1966	India 1967/68	Indonesia 1967	Malaysia 1966	Pakistan 1966/67 East	Pakistan 1966/67 West	Philippines 1966/67	Thailand 1965
Food crops	37.9	77.7	67.8	21.3	82.8	67.5	72.9	78.0
Cereals	33.7	62.9	57.3	16.6	76.3	55.9	64.4	75.5
Rice	31.5	23.4	42.4	16.6	75.7	8.9	38.4	69.3
Maize	0.7	3.6	14.9	...	...	3.5	26.0	6.2
Wheat	—	9.5	—	—	0.6	33.7	—	—
Sorghum	—	11.7	—	—	—	3.5	—	—
Millet	1.6	12.6	—	—	—	5.3	—	—
Barley	—	2.1	—	—	...	1.0	—	—
Pulses	—	14.5	—	—	3.0	9.6	—	—
Of which: Gram	—	5.3	—	—	0.5	6.6	—	—
Other food	4.2[a]	0.3	10.5[a]	4.7	3.6	2.0	8.5[b]	2.5[b]
Non-food crops	62.1	22.3	32.2	78.7	17.2	32.5	27.1	22.0
Groundnuts	...	4.8	2.2	—	...	0.2	—	1.1
Oilseeds (other)	...	5.1	3.5[c]	—	0.9	3.1	—	0.6
Sugarcane	0.5	1.3	0.8	—	1.4	4.1	3.9	1.5
Tobacco	0.4	...	1.3	—	0.4	0.4	1.1	0.8
Cotton	...	5.1	—	—	...	10.0	—	...
Jute/kenaf	—	0.9	—	—	3.9	—	—	4.1[d]
Coconuts	26.9	0.6	11.1	9.0	0.3	—	19.9	2.8
Tea	14.7	...	0.7	—	...	—	—	—
Rubber	13.9	...	10.8	63.7	—	—	—	5.7
Others	5.7	4.5	1.8	6.0	10.3	14.7[e]	2.2	5.4
Total cropped area	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Sources: Ceylon: FAO, *Production Yearbook, 1967*: for rubber and coconut. *Agricultural Development Programme 1967-1970*, and FAO/IBRD, *Report on the Irrigation Programme Review*, January 1968.
India: Ministry of Food and Agriculture, *Area, Production and Yield of Principal Crops in India, 1949/50 to 1967/68*, 1968.
Indonesia: National sources.
Malaysia: Department of Statistics, *Annual Bulletin of Statistics, 1967*.
Pakistan: Central Statistical Office, *Twenty Years of of Pakistan in Statistics, 1947-1967*.
Philippines: US, AID, *Economic and Engineering Study: Storage, Handling and Marketing of Selected Crops in the Republic of the Philippines*, June 1968, and national sources.
Thailand: Ministry of Agriculture, *Agricultural Statistics of Thailand, 1965*.

Notes: [a] Cassava and sweet potatoes.
[b] Root crops.
[c] Soybeans.
[d] Kenaf.
[e] Includes 10.1 per cent under cottonseed.

The content of agricultural policy is bound to differ between the countries according to the inherited pattern of activities. Export crops thus form a major target of agricultural policy in Ceylon and Malaysia.[1] Leaving aside plantation crops (rubber, oil palm, tea and coconut), their agricultural policies centre on the production of rice. In the Philippines and Indonesia, the major concern is with the two cereals, rice and corn,[2] and with sugarcane and tobacco. In East Pakistan and Thailand, policy naturally deals mainly with rice and with jute/kenaf, sugarcane and tobacco. In India and West Pakistan, the presence of a large number of competing crops within the food and non-food sectors demands more complex agricultural policies.[3] The scope and the problems of such policies are much broader than in any of the other countries.

Rice stands out as the major focus of over-all agricultural policies in almost all the countries, and in some countries as the only focus. Wheat mainly concerns West Pakistan where it accounts for 34 per cent of the total area, and India which produces three times as much wheat as Pakistan.

More than two thirds of the cultivated areas of these countries are under food crops, but, except for Thailand, all have deficits in food. The land-saving characteristics of the technical progress in agriculture may be sufficient in several of the countries to reverse the trend of land allocation to food crops and to augment the basic resource of disposable land.

Trends in agricultural growth

In all the countries, except Thailand, agricultural output grew between 1952 and 1966 at less than 4 per cent annually. In India, Indonesia and Pakistan, the annual rate did not exceed 3 per cent. Since the agricultural sector accounts for 30-50 per cent of the GNP in these countries, its low growth rate was bound to result in a poor rate of growth of GNP.

Nor was the growth of food production satisfactory, bearing in mind the growth of population and of demand.[4] The rate of growth of food production exceeded that of population in all the countries except Indonesia, but the difference between the two rates is hardly significant. Moreover, the demand for food may have grown faster than the increase in food production in all countries except Thailand which is traditionally a food-surplus country.

The growth of agricultural production in Thailand, Pakistan (particularly in West Pakistan), Malaysia and the Philippines has, nevertheless, accelerated since the early 1960s. Since 1960, the annual compound rates of growth of agricultural production have risen to 7.5 per cent in Thailand,[5] 4.5 per cent in Pakistan[6] and Malaysia and 4 per cent in the Philippines.[7]

Such growth rates of agricultural output, nevertheless, conceal wide differences in the performance of various crops and regions within a country. The differences between major crops appear from table I-A-4 which includes several commercial crops omitted from table I-A-3.

Over long periods, the growth of food production has been disappointing in all the countries except Ceylon and Malaysia and, since 1960, Pakistan. The generally better performance of non-food crops, particularly in India, Pakistan and Thailand, is apparent from table I-A-4. A notable exception among non-food crops is coconut, the output of which seems to have stagnated in the region.

Regional differences within a country are often greater than differences between countries. The growth of agricultural output in the *Indian* States of Punjab, Gujarat and Madras over the period 1952/53 to 1964/65 exceeded 4 per cent; rice production in these states grew at about 5 per cent per annum and has accelerated recently.[8] In *West Pakistan*, growth tended to be concentrated in the fertile central region (the former West Punjab) and the annual growth rate was as large as 6 per cent.[9] In *Thailand*, growth in the central and northern regions was better than in rest of the country. In the northern region, rice production grew during 1950-1965 at a rate of over 4 per cent.[10] In the *Philippines*, southern and western

[1] In Malaysia, rubber alone accounts for 64 per cent of the total cultivated area, 35 per cent of total exports and about 60 per cent of the total contribution of agriculture to GNP. Similarly in Ceylon, coconut, tea and rubber together account for about 55 per cent of total area, 90 per cent of total exports and 20 per cent of the net national product. United Nations, *Economic Survey of Asia and the Far East, 1968*, and national sources.

[2] These are the only cereals produced in these two countries.

[3] For example, most of the crops in the food and non-food groups compete for resources and area: sugarcane, jute and some oilseeds are substitutes for rice: sugarcane and cotton also compete with wheat for irrigated areas. Within the food group, barley and gram are close substitutes for wheat, and some pulses compete with both rice and wheat. Any change in the condition of production of one crop affects the production of others.

[4] Calculated by FAO, on the basis of the rate of population growth and increase in per capita income. The effect of income on demand for food is calculated by using income-elasticities. See FAO, *State of Food and Agriculture, 1968*.

[5] Bank of Thailand, *Monthly Report*, April 1969.

[6] Ministry of Finance, *Pakistan Economic Survey, 1968-1969*.

[7] United Nations, *Economic Survey of Asia and the Far East, 1968*. The increase in 1967 and 1968 took place mainly due to the sharp increase in food crops.

[8] Ministry of Food and Agriculture, *Growth Rates in Agriculture, 1952/53 to 1964/65*. See also Alan Heston, "Variation in Agricultural Growth and Output Between and Within Regions of India", *Asian Survey*, Vol. VIII, No. 3, March 1968. The variances in growth extend down to the district level: Minhas and Vaidayanathan found 25 per cent of the districts growing at over 7.5 per cent a year, and about 43 per cent growing at over 5 per cent a year, each group accounting for a proportional share of the total areas.

[9] Carl H. Gotsch, "Regional Agricultural Growth: The Case of West Pakistan", *Asian Survey*, March 1968.

[10] A. Soothipan and V. W. Ruttan, "Changes in Rice Production, Area and Yield in Thailand", *Economic Research Journal*, September 1965. See also, *Agricultural Statistics of Thailand, 1966*. Maize, sugarcane and cotton grew rapidly in the central region; cassava, coconut and kenaf in the north-eastern region and groundnut and tobacco in the northern region.

Table I-A-3. Selected ECAFE countries: Growth rates of population and agriculture[a]

(per cent per annum)

Country	Population	Agricultural production 1952-1956 to 1963-1966	Food 1952-1956 to 1963-1966	Estimated demand for food 1952-1956 to 1963-1966
	(1)	(2)	(3)	(4)
Ceylon	2.6	3.1	3.2	—
India	2.3	2.5	2.4	3.2
Indonesia	2.2	1.2	1.5	—
Malaysia	3.1	3.7	4.7	—
Pakistan	2.4	2.5	2.4	3.5
Philippines	3.2	3.2	3.1	4.2
Thailand	3.2	4.5	4.6	4.2

Sources: (1), (3) and (4): FAO, *State of Food and Agriculture, 1968.*
(2): FAO, *State of Food and Agriculture, 1967.*

Note: [a] Including livestock, forestry and fisheries.

Mindanao showed the highest rates of agricultural growth, followed by Ilocos and Bicol. Rice, however, grew at the rate of 6.3 per cent in Ilocos, 5.4 per cent in Bicol and 4.9 per cent in southern and western Mindanao. The rapid growth of agriculture in Mindanao was due to the remarkably fast growth of corn production, at the rate of 12.9 per cent since 1954. In central Luzon, the most productive region of the country, agriculture has grown at a fairy slow rate.[11] In West Malaysia, the highest growth occurred in the north-western region, followed by the western region.[12] While no regional data are available for East Pakistan and Indonesia, regional differences in growth are also likely to have been substantial.

The highest regional rates compare quite favourably with growth rates observed during comparable periods in Taiwan and in Mexico, the two countries usually cited as striking cases of rapid agricultural development.[13] The performance of such regions is in clear contrast with the over-all rates for the entire country.

[11] Estimated from national sources, by taking two-year averages at two end-points.

[12] Tan Bock Thiam and T. F. Weaver, "Sources of Output Growth of Rice Production in West Malaysia, 1951-1967", *Papers Presented at the Agricultural Institute of Malaysia Rice Symposium*, Agricultural Economic Section, Faculty of Agriculture, August 1969 (mimeo.).

[13] K. N. Raj, "Some Questions Concerning Growth Transformation and Planning of Agriculture in Developing Countries", Delhi School of Economics, 1968 (mimeo).

Table I-A-4. Selected ECAFE countries: Growth rates[a] of major agricultural crops, early 1950s to 1960s

(per cent per annum)

Country	Ceylon[b]	India[c]	Indonesia[d]	Malaysia[e]	Pakistan[f] East	Pakistan[f] West	Philippines[g]	Thailand[h]
Rice	4.8	2.1	2.6	4.4	2.4	3.8	2.9	2.7
Wheat	—	3.4	—	—	4.7	5.3	—	—
Maize	—	2.8	3.4	6.0	—	4.7	5.8	28.7
Other cereals	—	1.3	—	—	—	1.2	—	—
Groundnut	—	4.6	2.1	—	—	—	—	4.3
Jute/kenaf	—	4.2	—	—	S	—	—	35.0
Sugarcane	—	5.9	6.0	—	4.9	7.7	1.3	6.1
Tobacco	—	3.0	2.5	—	—	9.8	5.0	3.8
Cotton	—	3.3	—	—	—	3.0	—	9.6
Rubber	5.0	—	S	3.8	—	—	—	5.4
Coconut	−1.7	1.0	D	D	—	—	3.4	1.3
Tea	1.4	n.a.	—	—	—	—	—	—

Sources: Ceylon: Central Bank, *Annual Report, 1968/69* and Reply to ECAFE Questionnaire on Agriculture, 1969.
India: Ministry of Food and Agriculture, Report of the Agriculture Prices Commission on *Price Policy for Kharif Cereals for 1967-68 Season*, and *Growth Rates in Agriculture, 1949/50 to 1964/65*, 1967.
Indonesia: United Nations, *Economic Survey of Asia and the Far East, 1968.*
Malaysia: United Nations, *Economic Survey of Asia and the Far East, 1968.*
Pakistan: *Twenty Years of Pakistan in Statistics and Pakistan Economic Survey, 1968-69.*
Philippines: Reply to ECAFE Questionnaire on Agriculture, 1969, and national sources.
Thailand: *Agricultural Statistics of Thailand, 1965 and Bank of Thailand, Monthly Report*, April 1969.

Notes: D — decline; S — stagnant.
[a] Compound rates, calculated by taking 3 year averages at the two end points.
[b] For 1961-1968 except paddy 1954-1968.
[c] For cereals 1952/53 to 1964/65, calculated by fitting a trend. For non-cereals 1952/53 to 1964/65. Trend values are marginally affected by two bad drought years and one exceptionally good year.
[d] For 1952-1956 to 1967/68.
[e] 1952-1956 to 1965-1968.
[f] 1952/53 to 1967/68.
[g] 1954-1968.
[h] 1952-1954 to 1965-1968.

Table I-A-5. Selected ECAFE countries: Percentage changes in output in food crops, 1964-1968

Country	Crop	[illegible]		[illegible]
		1967	1968	1968 over 1964
Ceylon	Rice	20.41	17.30	27.98
India	Rice	24.57	3.01	−0.09
	Wheat	9.29	45.41	68.14
	Maize	28.21	3.58	39.54
Indonesia	Rice	−3.94	9.45	20.75
	Maize	−8.08	9.66	−13.88
Malaysia, West	Rice	−2.96	13.43	54.71
Pakistan[a]				
West	Rice	3.62	9.82	10.98
East	Rice	−8.82	16.67	6.36
All	Rice	−7.43	15.81	6.89
West	Wheat	10.69	48.07	39.81
East	Wheat	65.71	—	70.58
All	Wheat	19.90	47.43	40.04
West	Maize	8.85	34.77	49.80
East	Maize	8.80	34.59	49.52
Philippines	Rice	11.40	5.94	21.04
	Maize	8.70	6.72	25.30
Thailand	Rice	−14.88	13.54	13.97
	Maize	2.30	8.53	59.03

Source: FAO, *Monthly Bulletin of Agricultural Economics and Statistics*, June 1969.

Note: [a] *Pakistan Economic Survey, 1968-69*. The figures refer to the crop year July-June.

In very recent years, there have been some spectacular increases in the production of certain food crops (table I-A-5). Some of these increases (particularly that of rice) reflected the recovery from the unprecedented drought years 1965 66 and 1966 67. This is particularly true of India, Indonesia, Malaysia and Pakistan. However, the striking growth of wheat in India and Pakistan which has continued more or less consistently since 1964 65, and of corn in the Philippines and Thailand, are more than a mere adjustment.

Sources of growth[14]

From the annual rates of growth of agricultural output,[15] and of planted or cropped area, it appears that, more often than not, area expanded in the 1960s at least as fast as in the 1950s (table I-A-6). This

[14] In this section, an attempt is made to distinguish between various factors in the observed changes of agricultural output of countries. The distinction is based on a simple but somewhat arbitrary analytical method. The numerical results are not unique, but, in this instance, they are nevertheless likely to yield broadly accurate magnitudes or indications of the direction of changes. Moreover, the method assumes that changes in cultivated area, and in yield, act independently as factors of growth. In fact, however, there is reason to believe that area and yield have often been interdependent causes of output growth. This qualification needs to be borne in mind when interpreting the arithmetical results of the analysis.

[15] All crops, including plantation crops.

Table I-A-6. Selected ECAFE countries: Sources of agricultural growth[a]

(percentage)

Country	1950-1960			1960-1968		
	Annual growth rate [illegible]		Growth of [illegible] to growth of [illegible]	Annual growth rate [illegible]		Growth of [illegible] to growth of [illegible]
	Output[b]	Area[c]	(2)÷(1)	Output	Area	(5)÷(4)
	(1)	(2)	(3)	(4)	(5)	(6)
Ceylon	2.5	1.3	52	3.5[e]	0.7	20
India	4.0	1.5	38	1.8[f]	0.45[g]	25
Indonesia	n.a.	n.a.	n.a.	1.2[e]	0.7	59
Malaysia, West[d]	0.7[h]	1.3	185	4.4	1.6	36
Pakistan: East	1.8	0.7	37	3.5[e]	0.7	20
West	2.0	1.1	55	4.7[e]	1.8	38
Philippines	3.7[i]	2.9	78	4.0	1.6	40
Thailand	4.5[e]	2.1	47	6.8[e]	2.4	35

Sources: Ceylon: *Statistical Abstract of Ceylon, 1966*; and Central Bank, *Annual Report, 1968*.
India: Ministry of Food and Agriculture, *Agriculture in Brief*, 9th edition; and *Area, Production and Yield of Principal Crops in India, 1949-50 to 1967-68*.
Indonesia: ECAFE enquiry.
Malaysia: *Monthly Statistical Bulletin of West Malaysia*, various issues.
Pakistan: *Pakistan Economic Survey, 1968-69*; and *Twenty Years of Pakistan in Statistics*.
Philippines: Central Bank of the Philippines, *Twentieth Annual Report, 1968*, other national sources and Reply to ECAFE Questionnaire on Agriculture, 1969.
Thailand: *Agricultural Statistics of Thailand, 1966*; Bank of Thailand, *Monthly Report*, various issues.

Notes: [a] All crops including plantation crops, viz. rubber, tea and coconut; the rates are calculated by using 3 year averages at the end-points.
[b] Based on indices of agricultural production.
[c] Total planted, cropped area.
[d] This reflects the relative contribution of area only approximately.
[e] Indices for 1966-1968 estimated on the basis of production figures.
[f] For 1966, 1967 and 1968: provisional.
[g] 1964-1966.
[h] Estimated by using 1951 and 1961.
[i] Production indices for 1967-68 and 1968-69 estimated.
[j] 1955-1960.

was the case in Malaysia, both provinces of Pakistan and Thailand, these being also the regions in which the rate of agricultural growth rose most between the 1950s and the 1960s. In all regions, however, in the 1960s, growth of output exceeded growth of area by more than in the 1950s (table I-A-6, cols. 3 and 6). This suggests that the relative importance of growth of area has declined as a factor in the growth of output.

The hypothesis that changes in output depend increasingly on yield changes can also be based on the development of rice production (table I-A-7). In four out of eight regions, both area and yield grew less fast in the 1960s than in the 1950s.[16] Generally, however, the rate of growth of output tended to be larger relative to the rate of growth of area, and consequently closer to the rate of growth of yield. The suggestion that the contribution of yield tended to grow at the expense of the contribution of area is formalized in the share of each of the two factors in the observed growth of production (table I-A-7, last two columns).

The general phenomenon of a declining relative contribution of area and increasing contribution of yield towards growth of agricultural output not only signifies a change in the technique of agricultural production, but also reveals the important constraints on further growth.

The area-effect

Two elements make up the "area-effect": increases in arable land or the total cultivated area and increases in cropping intensity (total cropped area[17] divided by cultivated areas). The first of these depends on the land resources and the possibilities of bringing new land under cultivation; the second on factors which permit multiple-cropping within a given area, particularly the availability of water and the rate of extension of irrigation facilities.

[16] In the remaining cases, the two rates of growth changed in opposite directions without, of course, establishing any strong presumption of the independence of movements in yields and in area. In three of the four regions in which the rates of change of yield and area moved in opposite direction, yield was growing in the later period after having declined in the earlier period.

[17] Total cropped area is equal to cultivated area plus double-cropped area. Cultivated area always means net sown area and cropped area means the "gross" sown area.

Table I-A-7. Selected ECAFE countries: Sources of growth of rice production, 1950s and 1960s

Country	Period[a]	Production	Area	Yield	Relative contribution: Area	Relative contribution: Yield
		(per cent per annum)[b]			(per cent)	
Ceylon	1950/52–1959/61	6.1	2.7	3.4	44	56
	1959/61–1966/68	4.2	1.7	2.5	40	60
India	1950/52–1959/61	4.6	1.1	5.5	24	76
	1959/61–1966/68	0.4	0.8	−0.4	200	−100
Indonesia	1953/54–1959/60	2.0	1.6	0.4	80	20
	1959/60–1966/67	1.1	0.9	0.2	82	18
Malaysia, West	1948/52–1960/61	4.4	1.7	2.7	39	61
	1960/61–1966/67	2.0	0.8	1.2	40	60
Pakistan, East (Rice)	1950/52–1959/61	2.3	0.7	1.6	30	70
	1959/61–1967/69	2.5	1.4	1.1	56	44
West (Rice)	1950/52–1959/61	2.4	2.7	−0.3	113	−13
	1959/61–1967/69	7.4	2.4	5.0	32	68
(Wheat)	1950/52/1959–61	1.0	1.1	−0.1	110	−10
	1959/61–1967/69	7.0	2.9	4.1	41	59
Philippines	1925/27–1952/54	1.5	1.5	0.0	100	0
	1952/54–1959/61	2.3	3.3	−1.0	143	−43
	1959/61–1966/67	1.9	−0.4	2.3	−21	121
Thailand	1920/21–1946/47	0.6	2.1	−1.4	350	−250
	1946/47–1959/60	2.7	3.5	−0.7	130	−30
	1959/60–1967/68	5.7	1.9	3.8	33	67

Sources: Ceylon: *Statistical Abstract, 1966;* Central Bank, *Annual Report,* various issues.
India: *Area, Production and Yield, op. cit.* and *Agriculture in Brief, op. cit.*
Indonesia: ECAFE enquiry.
Malaysia: United Nations, *Economic Survey of Asia and the Far East, 1968.*
Pakistan: *Pakistan Economic Survey, 1968-69* and *Twenty Years . . . . Statistics, op. cit.*
Philippines: Central Bank, *Annual Report, 1968, op. cit.;* other national sources, and S. C. Hsieh and V. W. Ruttan, "Environmental, Technological and Institutional Factors in the Growth of Rice Production: Philippines, Thailand and Taiwan", *Food Research Institute Studies,* Vol. VII, No. 3, 1967.
Thailand: Hsieh and Ruttan, *op. cit.*: Bank of Thailand, *Monthly Report,* various issues. See also Arkon Soothipan and V. W. Ruttan, "Changes in Rice Production and Area Yield in Thailand", *Economic Research Journal,* Vol. XII, September, 1965.

Notes: [a] In each case the period includes two years, e.g. 1950/52 means 1950/51 and 1951/52.
[b] Compound rates.

The weight of each of these factors in the total area-effect differs from country to country. Generally, however, it seems that the expansion of cultivated area is tapering off. On the other hand, most countries have not yet fully exploited the possibilities of increasing area through double-cropping.

In Ceylon, the contribution of area to the growth of rice production has remained relatively high and, unlike elsewhere, shows no significant decline after 1960. This reflects the relatively rapid increase in the net area cultivated: 21 per cent between 1954 and 1964. During the same period, cropping intensity only rose by 5 per cent. The cultivated area under rice can be increased by clearing forests which account for 25 per cent of the entire land resources or by releasing land from the unclassified category ("homestead, shifting cultivation and other crop") which accounts for another 22 per cent of the available land. There is only limited scope for increasing the cropped area under rice through a shift in cropping patterns.[18]

Conflicting developments account for the modest increase in average cropping intensity. On irrigated land, and particularly on land under minor irrigation, cropping intensity rose substantially. On the rain-fed areas, however, it declined rapidly from its earlier high level.[19] Wherever irrigation was expanded, it led to rapid increases in the double-cropped area. The absolute extent of double cropping on irrigated land is nevertheless still small: only 17 per cent of cultivated land bore two crops in 1965.[20]

In India, cropping intensity grew by only 4 per cent during the fifteen years from 1950 to 1965, and remained absolutely low at 1.15 (1964/65). The intensity of land use (net area cultivated as percentage of geographical area) rose from 40 per cent in 1950/51 to 46 per cent in 1964/65, as a result of substantial direct investment in land reclamation and irrigation during the three Plans. The scope for further expansion of this high cost type differs from region to region. In some states, land utilization has reached very high levels[21] while in others there are further possibilities of extending the cultivated area.[22] The extremely low cropping intensity suggests a large potential for increasing area through double cropping by improving irrigation facilities. Even in Punjab and Madras which have had high growth rates of agricultural output, the cropping intensity was only 1.27 and 1.20. The large public investment in irrigation facilities seems to have stimulated increases in cultivated area more than double-cropping: the difference between the average national cropping intensity and that in the irrigation areas is only marginal (1.4 against 1.7 in 1965-1966) and the cropping intensity of irrigation areas increased only modestly over the fifteen years from 1950. This is as true of the highly-irrigated states of Punjab and Madras as of those like Gujarat, Maharashtra and Mysore which experienced the largest expansions in irrigated area (by about 60 per cent) between 1952-1958 and 1965/66.[23]

In East Pakistan, growth of area accounted for 20 per cent of the increase in total output and for 60 per cent of growth of rice production. It was brought about by intensified land use and increasing cropping intensity, the net cultivated area rising by 3.4 per cent and cropping intensity by another 4 per cent. Both the intensity of land use and cropping intensity have risen to very high levels: 63.5 per cent and 1.375 respectively in 1966/67.[24] It may now be difficult to increase output by further additions to cultivated area. Flood control, drainage and regulation of water, and suitable crop rotations may nevertheless permit a certain increase in double cropping. The high contribution of area towards the growth of rice production may have been obtained in part through shifts in cropping patterns, such as are engendered not only by exogenous changes in the relative prices of crops but also by high population pressures.

In West Pakistan, on the other hand, the contribution of area towards output growth declined in spite of the low intensity of land use (24 per cent). Two thirds of the area-effect is attributable to increases in the cultivated area and one third to increases in cropping intensity. West Pakistan had a larger increase in cropping intensity than East Pakistan: 8.7 per cent as against 6 per cent. The increases in cultivated area and cropping intensity were made possible by the existing high irrigation facilities and by the remarkable growth of access to ground water resources (mainly by tubewells) since

[18] Shifts from rubber, tea or coconut, being ruled out for obvious reasons, there is hardly any land left under other crops to be shifted to rice cultivation.

[19] The increase in cropping intensity of irrigated areas by about 25 per cent (12 per cent of major irrigation areas and 32 per cent of minor irrigated areas) during the same period, from 0.95 per cent in 1954 to 1.17 per cent in 1965, was offset by a 22 per cent decline in the cropping intensity of the rain-fed areas, from 1.53 in 1954 to 1.19 in 1967. The low cropping intensity of the irrigated areas compared with the rain-fed areas deserves to be noted: Ceylon, Department of Census and Statistics, *Statistical Abstract of Ceylon*, 1965-1967.

[20] All data for these observations are taken from the *Statistical Abstract of Ceylon, op. cit.* and FAO/IBRD, Co-operation Programme, *Report on the Irrigation Programme Review*, Ceylon, January 1968.

[21] The cultivated area was over 50 per cent of total geographical area in West Bengal, Punjab, Maharashtra, Kerala, Mysore and Uttar Pradesh. Ministry of Food and Agriculture, *Area, Production and Yield . . . 1949-50 — 1967-69, op. cit.*

[22] Perhaps in Rajasthan where cultivated area has grown by more than 3 per cent annually during 1952-1965.

[23] The cropping intensity of the irrigated areas increased by 16 per cent in Punjab, 5 per cent in Madras, 10 per cent in Maharashtra, 1 per cent in Mysore and declined by 5 per cent in Gujarat. Data from publications of the Ministry of Food and Agriculture, referred to above.

[24] Pakistan, *Twenty Years of Pakistan in Statistics, op. cit.*

1960. There exist further possibilities for the expansion of cultivated area and of cropping intensity which was only 1.12 in 1966/67.[25]

In Thailand and Malaysia, the relative contribution of area to the growth of output apears to have declined markedly. Both countries retain large un-utilized resources in land. In Thailand, only 17 per cent of the total land is arable, forests and unclassified land accounitng for 71 per cent of the remainder.[26] In Malaysia, arable land is a mere 10 per cent of the total.

Though the area-effect in the growth of Thailand's agricultural production has been weakening, it still amounted to 35 per cent in 1960-1968. Most of it seems to have resulted from increases in cultivated area and there remain large possibilities in this respect. Land reclamation, however, requires comparatively more investment per ha than does irrigation.[27] The passive behaviour of the factor of cropping intensity reflects the quality of the irrigation system. In spite of large public investments in irrigation and a consequent growth of the irrigated area by 13 per cent between 1960 and 1965,[28] cropping intensity seems to have contributed no more than marginally to output growth. The existing irrigation system is, on the whole, of the conventional type, in the sense of providing against floods and assuring supplies in periods of low rainfall. The development of the system offers much opportunity for expanding the double-cropped area.[29] The development of the Chao Phya Basin should prove a turning point in the intensity of land use.[30]

In Malaysia, the contribution of area towards agricultural output growth declined, mainly as the result of the rapid increase in yield of the replanted rubber trees. The contribution of area towards the growth of paddy production remained more or less constant during the two periods. The major component of the area-effect has naturally been the extension in the cultivated area. The double-cropped area in West Malaysia, however, also rose from 3.5 thousand ha in 1958 to 96 thousand ha in 1968. The completion of the Muda River Irrigation Project, and other schemes, is expected to raise it to 200 thousand ha by the end of 1969/70. This would imply an increase in the croppnig intensity from 1.28 in 1968 to 1.5 by the end of 1972.[31] In addition, there remain large tracts of land suitable for cultivation in West Malaysia, where 20 per cent of the total land is cultivated, and in Sabah and Sarawak, with 3 and 2 per cent of the respective land areas under cultivation. Malaysia thus possesses extensive opportunities for raising agricultural output by increasing the cropped area.

In the Philippines, the importance of extensions of area as a source of agricultural growth diminished while the intensity of land use was still relatively low (30 per cent in 1967). Both facts may be related to constraints of geographical and physical configuration. The high area-effect observed during the 1950s, arose mainly from an extension of the cultivated area by 35 per cent. The negative area-effect in the growth of rice reflects shifts of area from rice and corn to coconut.[32] The contribution of cropping intensity to growth of output appears to have been marginal throughout the entire period. This is partly explained by the low level of irrigation facilities which extended in 1965 to only 7.25 per cent of the entire crop land.[33] The area which is capable of being irrigated may, however, be as large as 70-80 per cent.[34] While further extensions of cultivated area may not be possible, there is large scope for double cropping, but this is conditional on the extension of irrigation.

In Indonesia, area increases accounted apparently for the major part of the growth in agricultural output, particularly of paddy. With an irrigation system deteriorating for lack of maintenance,[35] the contribution of cropping intensity towards the area increase is likely to have been small. In spite of an extremely low intensity of land use (about 12 per cent), it is unlikely that the cultivated area can be much expanded, short of an expensive clearing of jungles. On Java, which contains about 55 per cent of the total paddy land, all potential rice land appears to be already under cultivation. The rapid rehabilitation and further development of the irrigation system should, however, permit the expansion of the cropped area through wider double cropping.

Yield-effect

Growth in the relative contribution of yield to output is particularly noticeable in Ceylon, certain states of India, West Pakistan, the Philippines and Thailand. Water has generally been the crucial input and, together with the growing intake of fertilizers and pesticides, the chief cause of this increasing yield-effect.

[25] C. H. Gotsch, in *Asian Survey, op. cit.*

[26] Thailand, *Agricultural Statistics of Thailand, 1966.*

[27] K. Takase and T. Kano, "Development Strategy of Irrigation and Drainage", in Asian Development Bank, *Asian Agricultural Survey* (1968), p. 535.

[28] Thailand, *Statistical Yearbook, 1965.*

[29] S. Ishikawa, "A Study of Agricultural Development Strategies" (prepared for the Asian Development Bank), (mimeo.).

[30] *Ibid.*

[31] T. K. Van, "Some Technical, Economic and Institutional Considerations of Rice Production in West Malaysia", paper presented at the IRC Session, October-November 1968. See also P. Haridas, "Double Cropping in West Malaysia", April 1969 (mimeo.).

[32] US, AID, *Economic and Engineering Study: Storage, Handling and Marketing of Selected Crops in the Republic of the Philippines,* June 1968, p. 42.

[33] *Ibid.*, p. 46.

[34] *Loc. cit.*

[35] Takase and Kano (*op. cit.*) estimated that 1/3 of the technically irrigated land is fed with water from sources in need of repair.

In Ceylon, fertilizer consumption increased substantially between 1952/53 and 1962/63 and was about 41 kg. per ha in 1965/66. Water supplies expanded rapidly and, lately, mechanization has advanced (growing use of tractors). Yield increases in the 1960s in rubber and coconut are related to the replanting with high-yielding materials from the mid 1950s onwards.

In India, the growth of agricultural output was retarded by severe droughts in 1965/66 and 1966/67. Between 1952/53 and 1964/65, however, the growth of yield made a greater contribution to the growth of output than did the increase of area. In India, as in Ceylon, water inputs, besides reducing the fluctuations in growth rates,[36] acted as the crucial factor in the increase of yield. This contrasts with the insignificant effect of irrigation on cropping intensity.[37]

The regional development of yields bears out this view about cause. Relatively rapid growth of yields was observed in Madras and the Punjab where the expansion of irrigation and the level of fertilizer use per ha, were well above national rates; and in Mysore, Gujarat and Maharashtra where the irrigated area expanded significantly (table I-A-8). In the three years beginning 1965/66, India's consumption of fertilizer grew annually by 44 per cent, and the area irrigated by minor networks by 21 per cent. Recently, the area under high-yielding varieties has expanded rapidly.

Broadly similar factors explain the growth of yields in West Pakistan: rising yields have been associated with the great increases in the number of tubewells since the early sixties, in the consumption of fertilizers and the use of pesticides.[38] The rate of these inputs has been growing fast since 1964/65 and so has the area under high-yielding varieties. The crucial role of water as complementary to fertilizers, pesticides and new high-yielding seed is also manifest in Pakistan.[39] The same factors, namely irrigated area through low-lift pumps (particularly after 1964/65), consumption of fertilizers and pesticides, also explain the rather small growth in yield[40] in East Pakistan.

In Thailand, yields have increased rapidly since 1959. This advance was largely due to irrigation, conceived as a stabilizer of output fluctuations. Most of the increase of rice yields during this period seems attributable to the reduction in natural damage through irrigation and flood control.[41] The use of fertilizers

[36] H. Rao, "Fluctuation in Agricultural Growth", *Economic and Political Weekly*, January 1968.

[37] Giri and Hendric, "Regional Differences in Growth Rates in Madras, 1968" (mimeo.).

[38] Ghulam Mohammed, "Private tubewell development and cropping pattern in West Pakistan", *The Pakistan Development Review*, Vol. V, 1965.

[39] C. H. Gotsch, *op. cit.*

[40] *Pakistan Economic Survey, 1968-69.*

[41] A. Soothipan and V. W. Ruttan, *op. cit.*

Table I-A-8. India: Regional differences in the growth of agricultural output and its sources

State	Per annum growth rate 1952/53—1964/65[a]			Contribution[b] of cropping intensity to increase in area	Irrigated area[c]		Fertilizer[d] (kg/ha)
	Output	Gross area	Yield		As percentage of cultivated area 1965/66	Percentage increase 1965/66 over 1952/53	
Punjab	4.56	1.90	2.61	47.7	47.9	23.2	7.2
Gujarat	4.55	0.45	4.09	22.6	8.8	60.1	4.3
Tamil Nadu	4.17	1.10	3.04	34.4	40.4	30.4	12.7
Mysore	3.54	0.81	2.71	22.8	9.8	58.3	5.1
Bihar	2.97	0.71	2.25	−110.0	23.9	4.7	5.8
Maharashtra	2.93	0.44	2.45	23.5	6.8	60.1	5.2
Rajasthan	2.73	2.85	−0.11	7.4	12.4	36.1	1.0
Andhra Pradesh	2.71	0.26	2.45	17.6	27.1	9.0	14.7
Madhya Pradesh	2.49	1.28	1.21	−26.0	5.9	21.5	0.7
Orissa	2.48	0.81	1.66	81.8	16.3	24.8	2.4
Kerala	2.27	1.30	0.96	36.0	17.5	12.1	12.1
West Bengal	2.94	0.59	1.34	43.8	26.3	25.4	5.0
Uttar Pradesh	1.66	0.72	0.94	60.2	33.9	18.4	4.2
Assam	1.17	1.25	−0.08	25.7	26.2	−2.5	1.4
India	3.01	1.21	1.60	29.1	19.5	25.2	5.5

Notes and sources:

[a] Ministry of Food and Agriculture, *Growth Rate in Agriculture, 1949-50 to 1964-65.*

[b] $\frac{\text{(Change in gross area) — (change in net area)}}{\text{Change in gross area}}$

[c] Ministry of Food and Agriculture, *Agriculture in Brief*, 9th edition.

[d] *Ibid.*, calculated for 1966/67.

and pesticides has expanded and there was a rapid growth of capital formation, including growing use of tractors in the cultivation of broadcast rice.[42]

In the Philippines, apart from environmental factors including the crucial availability of water, yields have benefited from new seeds, fertilizer, straight-row planting and the use of mechanical weeders for better weed control.[43] Fertilizer consumption increased from 158 thousand tons in 1957 to 355 thousand tons in 1966 i.e., at an annual compound rate of 9.5 per cent.[44]

In Malaysia, the contribution of yield towards the rather high growth of rice production (table I-A-7) has been maintained at the same high level during the two periods. Yield is the highest among the seven countries.[45] This yield, and its growth, were sustained by irrigation which stabilizes output just as it permits a high cropping intensity and thus increases effective area. In addition, techniques have been improved and the use of fertilizer has been expanded.

In Indonesia, rice yield has remained stagnant.

Price policy

Given farm opportunities for raising production and yields, the recent improvement in the terms of trade of agriculture is bound to have stimulated producers. This is also the purpose of various price and subsidy policies which most governments have been following.

In Ceylon and Pakistan, fertilizer prices have been subsidized substantially (30-50 per cent) for many years. The subsidy for the application of plant protection chemicals in Pakistan was almost equal to cost, and concessional rates apply to the purchase of seed, electricity and water supply from public tubewells, while imports of agricultural machinery and equipment are free of duty. In India also, until recently, subsidies were available on fertilizers and plant protection chemicals. In almost all countries, institutional credit was being provided at rates much below the market rate. It hardly needs adding that the effectiveness of such subsidy policies depends also on the quantity and distribution of the subsidized materials and credits. Other subsidy programmes include replanting subsidies for rubber (financed by an export levy), coconut and tea in Ceylon, and for rubber and coconut in Malaysia.

As for output prices, all countries have guaranteed minimum prices for major crops. In Malaysia, paddy prices have been supported since 1950. In Ceylon, minimum prices have also been guaranteed since the middle of the 1950s for other cereals besides paddy, and for chillies and onions. India and Pakistan started supporting rice and wheat prices in the early 1960s, in addition to existing support-price programmes for sugarcane and jute. Price-support policies have also been followed by the Philippines since 1957/58 and were recently introduced in Indonesia.

The terms of trade turned in favour of agriculture in Pakistan from 1959 and appear to have contributed considerably towards the growth in agricultural output.[46] In the Philippines also, relative prices have changed significantly in favour of agriculture since 1959/60,[47] but in India only since 1963/64.[48] For other countries, the movement of the terms of trade is difficult to ascertain.[49]

Changes in cropping patterns

Within agriculture, another source of growth exists in the form of changes in the cropping pattern. Until recently, this factor seems to have contributed only marginally to the growth of agricultural output. This is explained by the cropping structure in each country and by the prevalence of subsistence farming (mainly rice-culture) and the absence of significant autonomous or directed changes in the relative productivity or the relative profitabilities of competing crops. Since food crops cover about 70 per cent of the area of such countries as India, Indonesia, the Philippines and Thailand, the possibilities of crop diversification, and hence of raising agricultural output through changes in cropping pattern, are likely to be large.[50]

Conclusion

Taking a general view of the experience of the seven countries, it appears that, during the 1950s, growth of agricultural production, and of food production in particular, depended on extensions of area to a greater extent than in the decade of the 1960s. The improvement in the contribution of yield towards output growth during the second period seems to result from the growth of irrigation facilities and from a wider use of chemical fertilizers.

[42] P. B. Trescolt, "Some Observations on Rice Production in Thailand" (mimeo.); National Economic Development Board, *Current Economic Situation*, October 1967.

[43] Hsieh and Ruttan, *op. cit.*

[44] US, AID, *Economic and Engineering Study, op. cit.*

[45] ECAFE enquiry and FAO, *Production Yearbook, 1967.*

[46] S. R. Lewis and S. Mushtaq Hussain, "Relative Price Changes and Industrialization in Pakistan, 1951-1964", *The Pakistan Development Review*, Vol. VI, 1966.

[47] FAO, *Trade Yearbook, 1967.*

[48] India, *Economic Survey, 1967-68.*

[49] Particularly so for Ceylon and Malaysia which import large amounts of paddy and subsidize various inputs.

[50] Large contributions of changes in cropping pattern to the growth of output were observed in parts of India: West Bengal (75%), Gujarat (68%), Maharashtra (46%) and Andhra Pradesh (36%); and in West Pakistan (about 10%) in districts showing the highest growth rate). See Minhas and Vaidayanathan, and C. H. Gotsch, *op. cit.*

The recent tendencies are the fruit of conventional methods of raising agricultural output. The elements of this method include an emphasis on irrigation, reclamation of land and institutional changes. These methods act on output chiefly through increasing the cultivated area. Their effect on yield results from improvements in irrigation which stabilize output and also raise yield directly. The direct effect on yield may be greater if available water is combined with inputs, notably fertilizer. The observed limited increases in cropping intensity also seem to result from the emphasis on an extensive type of irrigation which has the purpose of spreading water over as large an area as possible rather than of providing water for more than one crop. The limited emphasis on minor irrigation works, and hence on ground water resources, is another element of this irrigation strategy.

Notwithstanding the differences in their agricultural situation, the central problem in all countries is how to raise agricultural productivity, particularly in the production of foodgrains.

The advent of the high-yielding varieties with their high-yield potential and short maturity period seems to have provided a basis for new strategies for rapid increases in productivity. The central elements of this strategy, as formulated in several countries, are high-yielding seed which has initially to be imported; massive supplies of chemical fertilizers; availability of more water for double cropping with the new varieties; and an assured and controlled supply of water to the farmers' fields. At the producers' level, the new varieties require adequate and carefully timed applications of inputs.

The large potential of area expansion through raising cropping intensity that exists in all countries also provides an alternative method for raising agricultural output, either in the conventional context or in the context of the high-yielding varieties. The focus of policy under this alternative would be on an irrigation system qualitatively different from that envisaged under the conventional method.

Chapter III

AGRICULTURAL POLICIES AND PLANS

The crucial role of the agricultural sector in the achievement of self-reliance is a commonplace in most of the countries under discussion. In several of them, the objective of self-reliance has in recent years acquired greater practical importance, normally as a result of a growing uncertainty about the future inflow of foreign resources. The evaluation of development policy and the reaction to setbacks has thus led to reformulations of policy, including the reallocation and rephasing of investment programmes. Agriculture may offer opportunities for attaining self-reliance rapidly without seriously prejudicing the objective of high growth rates. In any case, the need to vitalize agriculture is urgent. Its past performance has usually been inadequate, particularly in the light of population growth and of the interdependence that exists between agriculture and the remaining sectors of the economy.

The evidence of this increased concentration on agriculture is seen in the target rates of growth of agricultural output and in the magnitude of the allocations of public expenditure to the sector (table I-A-9). The agricultural growth targets for the later years of the past decade or, in the cases of India and Indonesia, for the early part of the 1970s, were set at 4-5 per cent per annum, and thus well above the rates usually achieved in the decade ending in 1963/1966 (table I-A-3).

The share of agriculture (including irrigation) in public expenditure has generally been raised above its usual past rate of about 20 per cent. This shift is especially marked in India and Indonesia which formulated their plans after the new technical developments in agriculture had become known. In Pakistan, again, the agricultural sector was largely exempted from the extensive rephasing and the contraction of investment programmes which took place in 1967.[1] In the Philippines, public allocations to agriculture were set at a particularly high level, equal to almost 36 per cent of the entire public expenditure for the fiscal years 1967-1971.

The new concentration on agriculture is further reflected in targets and provisions for the basic inputs into agriculture. Ceylon,[2] India[3] and Pakistan[4] earmark 20-25 per cent of their industrial development outlay for the production of nitrogenous fertilizer. Indonesia and the Philippines, apart from planning increases in fertilizer production, also place strong emphasis on the development of basic infrastructure for agriculture.[5]

[1] Pakistan, Planning Commission, *Revised Phasing, Sectoral Priorities and Allocations of the Third Five-Year Plan (1965-70)*, 1967.

[2] Ceylon, Ministry of Planning and Economic Affairs, *The Development Programme, 1966-67*.

[3] India, *Fourth Plan, 1969-1974, op. cit.*, p. 252.

[4] Pakistan, *Revised Phasing . . . Third Plan, op. cit.*

[5] Plan documents, Indonesia, 1969-1973, and the Philippines, 1967-1970.

Table I-A-9. Selected ECAFE countries: Projected growth rates and public allocations to agriculture

Country	Period	Growth rate (per cent p.a.)		Public allocation (per cent)[a]		
		GNP	Agriculture	Agriculture	Irrigation	Total
Ceylon	1966-1970	5.2	4.5	13.4	12.6	28.0
India	1969-1974	5.5	4.5	15.7	6.7	22.1
Indonesia	1969-1974	5.0	...	13.4	16.6	28.0
Malaysia	1966-1970	5.0	4.0	16.7	7.3	24.0
Pakistan	1965-1970	6.5	5.0	13.2	13.0	26.2
Philippines	1967-1970	6.2	4.0	...	...	14.0[b]
Thailand	1967-1971	8.5	4.3	12.0	8.0	20.0

Sources: Ceylon: *The Development Programme, 1966-67*.
India: *Fourth Five-Year Plan, 1969-74* (draft).
Indonesia: *Broad Outline of Indonesia's Five-Year Development Plan, 1969/70—1973/74*, (mimeo.).
Malaysia: *First Malaysia Plan, 1966-1970*.
Pakistan: *Annual Plan, 1968-1969*.
Philippines: FAO, *State of Food and Agriculture: Four Year Economic Plan, 1967-1970*.
Thailand: National Economic Development Board, *The Second National Economic and Social Development Plan, 1967-1971*.

Notes: [a] Public outlay/expenditure on agriculture as per cent of total public expenditure.
[b] Incomplete.

From the variety of national objectives and policies there emerge certain key features:

(1) Food-deficit countries are proposing to become self-sufficient in food as soon as possible, and frequently by a relatively early date. In consequence, the approach to agricultural development is biased in favour of food crops.[6]

(2) Except in Malaysia, Ceylon and Thailand, policy tends to rely on increases of yield rather than of area for raising agricultural production.

Self-sufficiency in food

The declared aim of self-sufficiency in food is reflected in the growth targets for certain crops and in specific resource allocations. Current targets are decidedly high when compared with past growth rates of food crops and of population (table I-A-10). The emphasis on food crops appears in the rates projected for these when compared with other crops.[7]

Data on resource allocation by crops are only available for Ceylon and the Philippines. In Ceylon, rice alone accounts for about one half of the total expenditure on agriculture during 1966/67, this proportion being representative of the allocation for the entire period 1966-1971.[8] In the Philippines, public expenditure under the Updated Rice Programme (1967-1970) is set at 322 million pesos which may be compared with the total public works investment of 3,092 million pesos during the same period.[9] In Indonesia, the major part of an allocation amounting to 30 per cent of the total public outlay is directed to the achievement of self-sufficiency in rice.[10]

West Pakistan and the Philippines have come very close to their self-sufficiency targets. In Pakistan, the exceptionally high increase in the production of wheat and rice during 1967/68 and 1968/69 led to food surpluses and their attendant problems of finance, storage and disposal.[11] The Philippines exported rice in 1967/68. While the relatively unsatisfactory crop of 1968/69 prevented exports,[12] no rice has had to be imported durnig the last two years.

[6] In India and Pakistan, the emphasis seems to be only on major cereals, particularly rice, wheat and maize; in Malaysia, rice has only a small weight and naturally comes after rubber.

[7] In India and West Pakistan, for instance, the projected increases in rice and wheat crops are larger than those for non-food crops. Other cereals and pulses are expected to grow only slowly.

[8] Ceylon, *The Development Programme, 1966-67.*

[9] Philippines, *Updated Four-Year Rice and Corn Self-Sufficiency Program (Fiscal Years 1967-1970)* and *Four-Year Economic Program for the Philippines, Fiscal Years 1967-1970.*

[10] Indonesia, *Five-Year Plan, op. cit.*

[11] United Nations, *Economic Survey of Asia and the Far East, 1968.*

[12] *Ibid.*

Table I-A-10. Selected ECAFE countries: Projected annual growth rates of major crops

(percentages)

	Ceylon 1966-1970	*India 1969-1973*	*Indonesia 1969-1973*	*Malaysia 1966-1970*	*Pakistan 1966-1970*		*Philippines 1966-1970*	*Thailand 1967-1971*
					East	*West*		
Foodgrain	—	5.7	—	—	—	—	—	—
Rice/paddy	7.0	n.a.	8.0	7.6	5.6	10.8	11.0	6.1
Maize							(12.0)[a]	
Wheat	—	n.a.	4.7	—	[b]	14.9	5.0 (11.6)	7.0
Other crops	—	n.a.	—	—	22.0	11.2	—	—
Oilseeds	—	4.4	n.a.	—	13.0	10.0	—	7.3[c]
Sugarcane	—	4.5	6.0	—	7.8	6.1	10.0	[d]
Tobacco	—	4.7	1.1	5.3	4.4	n.a.	—	6.0
Cotton	—	6.0	—	—	5.5	5.5	—	18.8[e]
Jute/kenaf	—	3.5	—	3.0[f]	5.2	—	—	5.2
Coconut/copra	5.2	3.5	6.4	0.9	...	—	3.5	3.0
Tea	3.4	n.a.	1.7	2.6	5.6	—	—	—
Rubber	6.0	n.a.	4.8[g]	6.6	—	—	—	2.6

Sources: Ceylon: Calculated from *Economic Development, 1966-68.*
India: *Fourth Five-Year Plan, 1969-74* (draft).
Indonesia: *Broad Outline of Indonesia's Five-Year Development Plan, 1969/70—1973/74.*
Malaysia: *First Malaysia Plan, 1966-1970.*
Pakistan: *Revised Phasing . . . . Third Five-Year Plan (1965-70); Mid-Plan Review of the Third Five-Year Plan (1965-1970); Annual Plan, 1967-68 and 1968-69.*
Philippines: *Four-Year Economic Program for the Philippines, Fiscal Years 1967-1970; Updated Four-Year Rice and Corn Self-Sufficiency Program (Fiscal Years 1967-1970); Expanded Corn Production Program (1968-1971).*
Thailand: *Second National Economic and Social Development Plan, 1967-1971.*

Notes: [a] Rice and Corn Production Coordinating Council, up-dated and expanded programmes.
[b] Large relative increase from a low base.
[c] Groundnuts only.
[d] No increase.
[e] From a low base.
[f] Hemp fibre.
[g] Estimate.

India and Indonesia expect to achieve self-sufficiency before the end of 1973/74. Though both countries depend less than others on food imports, the achievement of self-sufficiency within the projected time cannot be certain. In India, notwithstanding the spectacular increases in the production of wheat and maize during the past two years, self-sufficiency in food does not as yet seem within easy reach. This is so largely because of the slow increase of rice production which has a large weight in total agricultural output. In Indonesia, the encouraging initial rate of achievement, in terms of additional yield, under BIMAS and allied programmes, has slowed down during recent years.[13]

In the remaining deficit regions, Ceylon, Malaysia and East Pakistan, food self-sufficiency involves the rapid expansion of rice production. Ceylon and Malaysia have recently obtained striking increases in rice production. The prospects in East Pakistan may be more doubtful, but the expected surpluses of both wheat and rice in West Pakistan will help to offset the food deficits of East Pakistan. Pakistan as a whole may thus become self-sufficient in a shorter period.

The question of the pace at which self-sufficiency is to be attained in a country is bound up with the general problem of the economic appropriateness of the objective of self-sufficiency. The quantity target implied in this policy may in certain instances appear rather arbitrary, except insofar as dependence on large-scale food imports may conceivably become inconsistent with the independence of national economic development policy in general.[14]

Interpreted realistically as a decision to seek massive increases in food production or to raise the rate of output of crops which have so far persisted in growing slowly, the costs and benefits of the entire operation have not so far been publicly discussed. Nor is there much knowledge about the somewhat simpler aspect of foreign exchange saving. The prices and costs on which production decisions are taken are so heavily distorted by policy intervention that independent attempts at quantitative assessments are hardly possible.[15] Since the policy puts heavy emphasis on food crops, a general economic assessment would have to consider its implications for the further objective of crop diversification as a means for improving the dietary situation and assuring the consistent growth of non-food crops.

The position of the food self-sufficiency programmes in the context of general national development and resource economy has thus still to be worked out. As the policy succeeds in its own terms it brings forward new problems: how to accommodate food surpluses, how to counterbalance the effects of a food-biased policy on commercial and export crops, and how to utilize the land and labour which may be released from food production in the longer run. When such problems arise, the interdependence between the different parts of a growing economy can no longer be ignored or treated as a secondary consideration.

Elements of the new agricultural policy: India, Indonesia, Pakistan and the Philippines

The central objective of the agricultural policies of India, Indonesia, Pakistan and the Philippines (four of the seven countries under review) is to increase output through higher yields. The policy of this group relies on the exploitation of either or both of the chief characteristics of the new high-yielding varieties of certain food crops: their high-yielding potential and their short maturing period, to a point where the economic results of the new varieties are superior to the results of the prevailing varieties. This level of exploitation demands an irrigation system of specific, and not generally available, quality, since the new method makes high demands on precise water control. It also demands large quantities of fertilizer and plant protection chemicals and thus also the provision of a system for distributing these inputs. Lastly, it requires information about the suitability of regions to input combination, the dissemination of this information to farmers and a set of economic incentives.

The emphasis placed on the new varieties in the four countries is reflected in the actual and the projected growth of the area thus planted (table I-A-11). Policy in each country is further concerned with the fulfilment, in different ways, of the necessary conditions of the new method of cultivation. These conditions consist, firstly, of the supply and distribution of inputs. In several countries, much of the seed, the chemicals and the technology itself is imported.

India, West Pakistan and the Philippines have already succeeded in converting large portions of their areas under rice, wheat and maize to the new varieties. India and Pakistan imported large quantities of high-yielding wheat from Mexico in 1965-1966 and of

[13] Mears and Afiff in *Bulletin of Indonesian Economic Studies*, No. 10.

[14] See Pakistan, Planning Commission (Agricultural and Food Section), "Policies and measures for attaining self-sufficiency in foodgrains production", July 1967.

[15] For example, the import substitution drive for rice in Ceylon is backed by guaranteed prices which, until the devaluation of 1967, normally exceeded international prices; by substantial subsidies on fertilizers and credits; and by specific policies for various items of food including free distribution of rice. In Pakstan, again, guaranteed prices are substantially higher than the international prices of rice, wheat and maize; large subsidies are allowed on fertilizers, pesticides and electricity; concessions are given on imports of agricultural equipment; and institutional credit is provided at a rate less than ¼ of the market rate. Under such conditions, the cost-benefit implications of the food self-sufficiency programmes are difficult to assess.

Table I-A-11. Selected ECAFE countries: Area under high-yielding varieties (actual and targets)

Country	*Crop*	*Year*	*Total area under crop ('000 ha)*	*Area under high-yielding varieties ('000 ha)*	*Percentage of area: high-yielding varieties to total*
Ceylon	Rice	1968/69	492	10	2.0
India	Rice	1965/66	35,749[c]	[a]	[b]
		1966/67		888	2.5
		1967/68		1,687	4.7
		1968/69		2,630	7.3
		1973/74*		10,117*	28.3*
	Wheat	1965/66		[a]	[b]
		1966/67	12,918[c]	517	4.0
		1967/68		2,942	22.8
		1968/69		4,050	31.4
		1973/74*		6,070*	47.0*
	Maize	1965/66		[a]	[b]
		1966/67	5,139[c]	207	4.0
		1967/68		287	5.6
		1968/69		400	7.7
		1973/74*		2,023*	39.4*
Indonesia	Rice	1967/68	7,736[c]	1,057	13.7
		1968/69		1,218	15.7
		1969/70*		2,590*	33.5*
		1973/74*		4,000*	51.7*
Malaysia	Rice	1965/66		[a]	[b]
		1966/67	512[c]	4.5	[b]
		1967/68		30*	5.8*
Pakistan, East	Rice	1966/67	8,900	0.2	[b]
		1967/68		81	[b]
		1968/69		160	1.9
Pakistan, West	Rice	1967/68	1,393	4	[b]
		1968/69		380	27.3
		1969/70		405*	29.1*
	Wheat	1966/67	[d]	101	1.7
		1967/68	5,841	960	16.4
		1968/69		2,430	41.6
		1970/71		2,428*	41.6*
Pakistan	Maize	1967/68	596	121	20.4
		1968/69		202*	33.9*
		1969/70		596*	100.0*
Philippines	Rice	1965/66		[a]	[b]
		1966/67	3,165	7.5	[b]
		1967/68		250	7.9
		1968/69		450*	14.2*
		1969/70		750*	23.7*
	Maize	1967/68	2,196	120	5.5
		1968/69		380*	17.3*
		1969/70		440*	20.0*
		1970/71		500*	22.8*
Thailand	Rice	1967/68	6,410	nil	nil

Sources: Ceylon: IRRI, *Annual Report, 1968.*
India: Cummings, R. W., and Ray, S. K., "The new agricultural strategy: its contribution to 1967/68 production", *Economic and Political Weekly,* March 1969; Ministry of Food and Agriculture, *Agriculture in Brief,* 9th edition; Planning Commission, *Annual Plan, 1969/70.*
Indonesia: *Indonesia's Five-Year Plan, 1969/70—1973/74;* Asian Development Bank, Regional Seminar on Agriculture, Sydney, April 1969.
Malaysia: IRRI, *Annual Report, 1968.*
Pakistan: *Pakistan Economic Survey, 1968-69;* "Country Report on Agricultural Development in Pakistan", German Foundation for Developing Countries, Berlin Seminar, August 1968; East Pakistan, *Economic Survey of East Pakistan, 1968/69.*
Philippines: Rice and Corn Production Coordinating Council, *Updated Four-Year Rice and Corn Self-Sufficiency Program,* 1967 and *Expanded Corn Production Program,* 1968; ADB Sydney Seminar; IRRI, *Annual Report, 1968.*
Thailand: Bank of Thailand, *Monthly Report,* January 1969.

Notes: An asterisk indicates a target figure.
[a] Negligible.
[b] Less than one per cent.
[c] Average of 1965/66 to 1967/68.
[d] Average of 1966/67 to 1968/69.

IR-8 rice from the Philippines in 1967.[16] Since then a tremendous effort has gone into multiplying new seed within the countries themselves.[17] Apart from scientific adaptation of seeds, which now forms a major occupation of research stations, quality of seed is beginning to be assured through certification, grading and scientific checking.[18]

As to chemical fertilizer, consumption and domestic production during 1969-1973 are to grow annually by 27 per cent and 31 per cent respectively in India and by 18 per cent and over 60 per cent in Indonesia.[19] In Pakistan and the Philippines, the target growth rates for fertilizer consumption exceed 25 per cent per year. In Pakistan, the expansion of domestic production is one of the chief industrial targets of the Plan.[20] In the Philippines, the domestic production of fertilizer in 1967 was about 63 per cent of total consumption. Existing productive capacity would apparently have been able to supply total domestic requirements twice over but was unable to compete in price with imported fertilizer.[21] In terms of plan allocations, priorities within the industrial sectors have undergone a change. In the current plans[22] of India and Pakistan, the expansion of fertilizer capacity accounts for almost one fifth of the total allocation for the industrial sector. The allocation of foreign exchange to imports of fertilizer, or machinery for producing it, claims a large part of the total export earnings of these countries.

As regards irrigation, policy now tends to stress better control and management of water, rehabilitation and renovation of existing irrigation facilities, and a shift in favour of developing low-cost ground water resources by means of tubewells and pumping sets.[23] In several instances, this tendency contrasts with the earlier strategy of heavy investment in major and medium works, ordinarily for spreading water over a large area as a protection against variations in rainfall, but not necessarily in volumes sufficient for double-cropping or adapted to the water control requirement of cultivation with high-yielding varieties. In India, for instance, the present emphasis on ground water resources, on the rehabilitation of existing minor schemes, the completion of major projects, and the initiation of new major and medium projects with a specific emphasis on better control and management of water, signifies a departure from the earlier priorities.[24] In Pakistan, the focus is on the development of tubewells in West Pakistan and of low-lift pumping sets and various measures for flood control in East Pakistan. In the Philippines, the expansion of qualitatively superior irrigation facilities, planned under the Expanded and Unpdated Rice and Corn Programmes, involves a major initiative in a hitherto neglected area of agricultural development.[25] Indonesia looks to new projects and large programmes of rehabilitation and repair of existing irrigation networks.[26]

While the new policies are being worked out, it has to be accepted that irrigation conditions are not always suitable for the production of the high-yielding varieties. Facilities for water control and management in Indonesia and East Pakistan are inadequate to sustain an increase in yield through the new varieties. Even in India, West Pakistan and the Philippines, the conditions for water control are hardly satisfactory over large parts of the irrigated area.[27]

To attract farmers to the new varieties, price incentives are offered in all the countries. The incentive includes the promise to maintain support for output prices as an assurance against sharp declines in prices due to overproduction.[28] Such policies have been pursued ever since the introduction of the new varieties. In India, in fact, a small premium was given for the sale of the new varieties,[29] over and above the support prices which are announced well before harvesting. In Pakistan, such prices are announced for a longer period and the government remains committed to support these prices. Long-term stabilization of prices is the object of buffer-stock policies in India, Indonesia and the Philippines.

Subsidies on fertilizer, pesticides, electricity, and agricultural implements etc. (as a part of the overall policies of rapid yield increase) continue in Pakistan, especially in East Pakistan, but on a gradually declining scale.[30] In India and the Philippines, however, subsidies on these inputs, and particularly on fertilizer, have recently been withdrawn

[16] International Rice Research Institute (IRRI), Department of Agricultural Economics, *Annual Report, 1968.*

[17] Annual Plan documents 1960/70 (India) and 1968/69 (Pakistan). For Pakistan, see also, country report at the ADB Seminar on Agriculture at Sydney, May 1969.

[18] Philippines: *Updated Rice and Corn Self-Sufficiency Program (1967-1970).*

[19] *Indonesian's Five-Year Plan, op. cit.*

[20] Pakistan, *Annual Plan, 1968/69.*

[21] IRRI, *Annual Report, 1968.*

[22] Plan documents of India and Pakistan, *op. cit.*

[23] With the development of most of the possible sites for major irrigation, particularly in India where 46 per cent of the surface water resources are now already harnessed, further development of major and medium projects has become costlier. The development of minor works therefore provides a quick-yielding and low-cost alternative. See also Takase and Kano, in *Asian Agricultural Survey,* 1968, *op. cit.*

[24] India, Planning Commission, *Fourth Five Year Plan 1969-74* (draft).

[25] As is obvious from the extremely low irrigation ratio (see chapter 2).

[26] Top priority is given to maintenance, improvement and extension of irrigation in Indonesia, see *Five-Year Plan, 1969/70—1973/74, op. cit.*

[27] IRRI, *Annual Report, 1968,* p. 63. See also K. Takase and T. Kano, *op. cit.*

[28] FAO, *Indicative Plan* (1968), also favours such a policy as an incentive for the farmers to adopt high-yielding varieties.

[29] *Report of the Agricultural Prices Commission on Price Policy for Kharif Cereals, 1967-68 Season.*

[30] See Planning Commission, *Outline of the Fourth Plan of Pakistan.*

(in India in 1967-1968 and in 1964 in the Philippines). Both countries are now in fact levying taxes on fertilizers: the Philippines by an import duty of 20 per cent and a sales tax of about 7 per cent;[31] India by a 10 per cent excise duty. In India, concessional rates have continued for electricity, water from public irrgation works and pesticides, besides large subsidies on private investment in minor irrigation.[32] Some such indirect subsidies and concessional rates for agricultural inputs are also available in the Philippines.

The cash requirements of the new techniques are very high by the traditional standards of farm finance. All the countries propose to provide institutional credit at a rate substantially lower than the market rate. But rates occasionally matter less than the organization of credit: after the drastic changes in the organization of agricultural credit in the Philippines, institutional credit per hectare rose to about $60, compared with $3.4 in India and $1.8 in Pakistan.[33] Finally, in Indonesia, the whole package of inputs under BIMAS and its variants, and under INMAS (with the exception of credit in the INMAS programmes), is highly subsidized.[34]

While support prices are used practically everywhere to keep output prices high (higher than on the average of the past and higher than import prices), there is now in several countries a tendency to lessen the size or range of input subsidies. This may occasionally be the easiest way of reducing the transfers of income to agriculture. It is nevertheless far from clear whether the incentives to adopt and persevere with new techniques are most efficiently administered through high guaranteed output prices or through low prices for the inputs which are specific requirements of the technique. The question is acute where taxes are levied on fertilizers while grain prices are kept high.

While there are thus broad similarities between the policies of the four countries which appear as the most representative followers of the new agricultural approach, their policies also display several fundamental differences in objectives, methods and organization. While water is crucial for an area to be double-cropped, this programme for multiple-cropping is based entirely on another revolutionary characteristic of the high-yielding varieties,[35] namely non-photo-sensitivity which reduces the duration of growth and hence makes possible more than one crop, sometimes more than two crops, in a year. This is clearly different from the traditional concept of double-cropping which is entirely determined by the availability of water. Multiple-cropping made possible by the short maturity of the new varieties may ultimately become an integral part of the objectives and policies in other countries, but it is not as clearly stressed as in the case of India.

As regards method, there is a major difference between the policy in Indonesia and those of the other countries which follow the new agricultural policy. In Indonesia, farmers in the areas which have been selected as suitable for the introduction of the new techniques are offered a package consisting of physical inputs given on credit, to take or to leave.[36]

The material inputs, viz. fertilizers, pesticides and insecticides and seed, are provided in kind, and the entire package (including the living allowance to the farming household) is to be bought with the help of cheap credit through institutional agencies. This arrangement apparently ensures the adoption of the package at full or nearly full level, depending of course on the efficiency of the organization. The importance given to plant protection chemicals is also striking.[37] Under the BIMAS Scheme and BIMAS BARU Gotong Rojong (a scheme dependent upon the collaboration of foreign firms which supply the insecticides and pesticides) particular emphasis is laid on plant protection chemicals.[38]

In India, Pakistan and the Philippines, on the other hand, it is left to the farmers to determine the level, that is, the quantities and ratios of inputs, at which they will adopt the new technique. The contrast between these different ways of implanting the new techniques is, firstly, in the supply of inputs: the Indonesian system aims to supply at the farm level

[31] Some concessions are allowed on the sale of fertilizers through cooperatives.

[32] *Government Budget, 1969/70* and *Fourth Five-Year Plan 1969-74*.

[33] Ishikawa, "A Study on Agricultural Development Strategies", ADB (mimeo.).

[34] *Indonesia's Five-Year Plan, op. cit.*

[35] India, *Fourth Five-Year Plan 1969-74*, and documents from the Ministry of Food and Agriculture.

[36] In practice, however, the full package may not always be used. It is, for example, reported that farmers sold fertilizer obtained under the package at two thirds of its price in the villages.

[37] The area under these two programmes is about 50 per cent of the total area under all programmes. See Department of Agriculture, Republic of Indonesia, Decision of the Minister of Agriculture, No. 355/Kpts/Um/9/1969 (mimeo.).

[38] The following two packages (BIMAS and BIMAS BARU Gotong Rojong) indicate the emphasis on plant protection materials.

Credit to be supplied by Bank Rakjat Indonesia is based on the following package per hectare:

	Package A:	*Rp* 13,975	Package B:	*Rp* 9,485
1. Urea fertilizer	200 *kg*	6,300	100 *kg*	3,150
2. T.S.P. fertilizer	50 *kg*	1,550	35 *kg*	1,085
3. Insecticide	*c.* 2.5 *l*	2,750	*c.* 2.5 *l*	2,750
4. Zinc phosphide	100 *g*	400	100 *g*	400
5. Use of sprayer: rent and fee	—	600	—	600
6. Seed	25 *kg*	875	—	—
7. Cost of living and increased cultivation costs		1,500		1,500

Package A uses HYV, B uses local, improved varieties.

Ibid.

in pre-determined proportions. Secondly, the contrast lies in the functions of the farmer as a production planner and at the same time also in the provision of information. The Indonesian technique purports to convey information in the form of physical supplies. Errors and evasions through resale remain possible, of course, in the Indonesian system, and the system limits the farmer's ability to experiment. Furthermore, there is no guarantee that the basic information about the suitability of the areas selected for concentrated development is better than that in other countries.

A difference in organizational principle between the approaches of these countries lies in the roles assigned to the public and private sectors. In Indonesia, the major responsibility for agricultural development rests with the Government. The Government is least concerned in the Philippines where its action includes the development of major and medium irrigation works, provision of infrastructure roads, communication channels and storage, to facilitate the supply of inputs and the disposal of output.[39] Pakistan, on the whole, favours private initiative and is encouraged in this by the large investment in private tubewells in West Pakistan and by private mechanization and the domestic production of fertilizers. In India, while the Government proposes to keep the initiative, market forces are favoured in the distribution of fertilizers and privately motivated development of ground water resources is encouraged.

Elements of the alternative policies: Ceylon, Malaysia and Thailand

The distribution of emphasis in the agricultural policy of Ceylon, Malaysia and Thailand contrasts with that of the four countries discussed so far in the priority which is given to the development of irrigation with a view to increasing both area (cultivated as well as double-cropped) and yield. Unlike the concentration on high-yielding food crops in the other countries, the objectives and policies in these three countries give equal attention to the development of non-food (cash and export) crops.

In *Ceylon*, agricultural strategy broadly consists of rapid import substitution in the non-export crops and the maintenance and, if possible, enlargement, of earnings form the export crops. Under the first head, the main emphasis is on paddy which accounts for a sizeable part of the total import bill. The production of subsidiary crops, such as onions, potatoes, chillies, maize, sorghum and pulses, is another object of this policy.

The addition to the production of non-export crops is to come largely from increases in cultivated area and land development. In the period 1966-1970, 100,000 acres of *assweddamized* land (i.e. land prepared for paddy cultivation) is to be put under paddy cultivation and is to be made available for double-cropping by rapid expansion of irrigation facilities. Roughly 70 per cent of the public allocation for paddy has been earmarked for this purpose. The remaining 30 per cent is to be applied to increasing yields on existing irrigated land.[40] The production of subsidiary crops is to be raised through crop diversification.

Increases in yield on the existing irrigated land are expected mainly as a result of extensions to the area under local high-yielding varieties (H-4 and H-8) which already forms some 75 per cent of the total irrigated area under rice.[41] These varieties mature in about 120 days. They "have raised yield from around 60 bushels to well over 100 bushels per acre . . . They are similar in plant-type to the traditionally grown varieties and do not need very sophisticated management. They are more resistant to diseases and respond well at moderate level of fertilization, viz. 80 lb of N per acre."[42] They have been found to give relatively high yields (sometimes comparable to those of IR-8) at low doses of fertilizer.[43] IR-8 is being gradually introduced in selected regions[44] but has not yet become popular. The proportion of area under the new high-yielding varieties remains correspondingly low (table I-A-11).

The importance accorded to land development and irrigation is reflected in the public investment allocations: in the five years from 1966/67 to 1970/71, 55 per cent of the total investment in the agricultural sector has been allotted to irrigation and land development. In irrigation, the emphasis is on minor irrigation projects (including tanks and low-lift pumps) on better management and control and on the rehabilitation of existing schemes[45] and their improvement through drainage. Irrigation is to be developed with the twin purpose of bringing more land under cultivation and under double-cropping, and of preparing land for intensive cultivation and, hence, increasing yields.

Under support programmes which date back to the middle of the 1950s, Ceylon supports the prices of paddy, maize, sorghum and chillies. Substantial

[39] *Four-Year Economic Program for the Philippines, Fiscal Years 1967-1970.*

[40] *The Development Programme, 1966-67; Economic Development, 1966-68, Review and Trends,* 1967; and FAO/IBRD Programme, *Report of the Irrigation Programme Review,* January 1968.

[41] Central Bank of Ceylon, *Annual Report, 1968.*

[42] Reply to ECAFE Questionnaire on Agriculture, 1969.

[43] "Experiments carried out in the past have shown that IR-8 with the new plant type gives 10-20 per cent increased yield at nitrogen levels up to 120 lb N per acre . . . . At lower levels of management IR-8 could give even a lower yield than H-4." *ibid.*

[44] Ceylon, country paper at the IRC, Tokyo, October 1968, and country paper at FAO, March 1969.

[45] *Economic Development, 1966-68.*

subsidies are given for fertilizer inputs[46] and for the replanting of tea, rubber and coconuts.[47] Under the rice breeding and rice extension programme, certified paddy seed is sold to farmers at a subsidized price.[48] Further measures are proposed to expand the use of fertilizers (mainly through large-scale subsidies), pesticides and tractors. Attempts are now being made to initiate the domestic production of fertilizers and the assembly of tractors.

In *Malaysia*, again, the general agricultural policy lays heavy emphasis on the development of new land and the rapid expansion of irrigation. The First Malaysia Plan (1966-1970) ranks agricultural priorities as follows:

(1) opening up new land from jungle at an accelerated pace; (2) raising the productivity and production of rubber by further replanting on small holdings; (3) expanding rice and other food crop production, mainly through drainage and irrigation to expand double-cropping; (4) expanding crops such as oil palm to improve export earnings; and (5) stepping up research to provide new crop and livestock possibilities.

The development of new land and of irrigation forms about 65 per cent of the total plan allocation for agriculture or about three times as much as the total allocation for industrial development. An expansion of irrigation, with the accent on better drainage and greater cropping intensity,[49] should ultimately increase yields.

The low proportion of area under the new varieties appears to reflect government policy. The introduction of these varieties (IR-8 under the new name of Ria) on a limited scale was mainly intended to direct agronomic research towards the evolution of varieties suitable to local conditions. The preference for *padi Bahagia*[50] reflects a cautions and pragmatic approach towards the use of genetically improved varieties. Under appropriate conditions "*Baghagia* gives good yield of about 5,000 kg/ha at moderate fertilizer application of about 60-90 kg/ha of N together with the appropriate application of phosphate and potash".[51] This approach is in contrast with the emphasis in other countries on the propagation of IR-8, IR-5 or similar varieties which require about 150 kg/ha of N and 50-80 kg/ha each of phosphate and potash. The Malaysian approach envisages changes in the present farming techniques less drastic than those required by IR-8.[52]

The emphasis in the plan on the creation of infrastructure and on the use of mechanical power, particularly for land preparation, is determined by the drive to expand supplies of fertilizers and pesticides so as to raise yields on the double-cropped areas.

As in other countries, prices of rice are supported, the level of support being not too far out of line with the price of rice in the domestic market.[53] Most of the inputs are subsidized, but the major beneficiary of government subsidies is rubber which alone accounts for about 15 per cent of the total allocation to the agricultural sector.[54]

The strong emphasis on research, agricultural education, extension and rural credit and marketing is also clear from the allocation of about 8 per cent of total agricultural development expenditure, a much greater proportion than in any other country.[55]

Thailand also retains relatively large land resources. It is, also, a traditional and relatively highly diversified agricultural exporter. The main objective of its agricultural policies is to accelerate and diversify production, chiefly through land development and irrigation, flood control and other infrastructural projects.[56] Irrigation and flood control being major factors in raising yields, these measures are likely to raise output by increasing the cultivated area as well as yields.

Thailand's policy reflects reservations about the new varieties, particularly of rice.[57] The inferior grain quality of IR-8, when compared with local varieties, and the unsuitable hydrological conditions, make it difficult to adopt IR-8 without major changes in existing production patterns. The uncertain international demand for rice, and what seems to be the high degree of risk attending the use of IR-8, appear to have influenced Thailand in rejecting the use of high-yield varieties.

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46 50 per cent on cash purchases and 33⅓ per cent on credit purchases. From 15 October 1968 a uniform subsidy of 50 per cent is allowed. Ministry of Food and Agriculture, *Agricultural Development in Ceylon*, September 1967, p. 32.

47 Replantation subsidies are Rs 3,750 per acre for tea on tea estates and small holdings. Rs 1,400—1,500 for rubber, and coconut seedlings are distributed at subsidized prices. Reply to ECAFE Questionnaire on Agriculture, 1969.

48 *Ibid.*

49 The completion of the two major irrigation schemes, the Muda River Irrigation Project and Kemubu Irrigation Project (both in West Malaysia), is expected to bring 300,000 hectares of paddy lands under double-cropping. By 1972, when all such schemes are completed, as much as 50 per cent of the total paddy area will be double-cropped. See Malaysia's country paper by T. K. Van at the International Rice Commission, November 1968 (*infra*).

50 A cross between *Peta* and *Tangkai Rotan* — a Malaysian local which was released in late 1968, particularly for double-cropping.

51 T. K. Van, "Some Technical and Institutional Considerations of Rice Production in West Malaysia", IRC/68/VI-3, October-November 1968, p. 8.

52 *Ibid.*

53 Malaysia, Study Group on Grains, "National Grain Policy 1968" (mimeo.), (prepared for FAO).

54 *First Malaysia Plan, 1966-1970.*

55 *Ibid.*

56 The National Economic Development Board, *The Second National Economic and Social Development Plan, 1967-1971*, Bangkok, 1967.

57 Sala Dasanada, country paper at the IRC session, Tokyo, November 1968.

Yields are to rise through improvements in the regulation of water on irrigated lands and the wider application of fertilizer and pesticides. The prices of the latter are subsidized and their supply is to be enlarged in part through the development of local production.[58] The Government seeks to support producer prices of rice and to insulate the domestic price from external fluctuations by varying the export tax.

Summary

The emphasis on raising agricultural productivity through the wide application of a new technology is characteristic of present agricultural policy in India, Indonesia, Pakistan and the Philippines. The new technology is centred on the exploitation of either or both of the major characteristics of the new, genetically superior varieties: (1) their extremely high-yield potential and (2) their non-photo-sensitivity which reduces the maturity period and permits multiple-cropping.

Relatively large quantities of chemical fertilizer, plant protection chemicals and relatively sophisticated regulation and control of water being essential ingredients of this technique, the allocation of resources and the construction of institutions to assure their availability and distribution have become one of the central preoccupations, if not, in fact, the chief preoccupation, of economic policy.

In Ceylon, Malaysia and Thailand, on the other hand, somewhat different lines of policy are being followed. Lnad development and irrigation, the central elements of their policy, will ultimately raise agricultural output by raising both area (cultivated and double-cropped) and yield, the latter mainly through the stabilization of agricultural output.

The Malaysian approach is characterized by emphasis on double-cropping and the associated effort to improve the conditions of water supply. This will have a stabilizing effect on yield, which may then be further increased by a more energetic use of "modern" inputs, including high-yielding seed, chemical fertilizers and machines, all of which are complementary with water inputs. Malaysia's chosen road to agricultural growth is also reflected in her choice of locally suitable high-yielding varieties which give fairly large increases of yield with moderate doses of fertilizers.

[58] *The Second National Economic and Social Development Plan, 1967-1971.*

The alternative approaches to agricultural policy which this chapter considers can be illustrated by the different attitudes of Malaysia and India towards the promotion of double-cropping. In Malaysia, double-cropping is seen as the main avenue to increased yields. Double-cropping, with local seeds, is to be based on an extension of irrigation. In India, double-cropping is to be expanded by relying predominantly on the recognized potentialities of quick-maturing, high-yielding varieties. In practice, this means that Indian agricultural policy seeks to promote double-cropping through the introduction of the new varieties into existing irrigated areas or areas of assured rainfall. The adequacy, volume and quality of the water supply are prerequisites for the success of the Indian policy of propagating high-yielding varieties; they are even more critical for the success of expanded double-cropping. Similar considerations may also apply to the policy proposed and followed by Ceylon.

Thailand's emphasis on land development and irrigation represents the conventional methods of raising output mainly by extensive cultivation. Increases in yield appear as the "external" effects of irrigation and flood control. The emphasis on research, and the cautious attitude to the use of varieties with a high fertilizer response, may have stemmed from a preference to wait and experiment.

The "new strategy" seems consistent with certain hypotheses about the conditions of traditional agriculture and the motive force for its modernization. The new strategy relies on the economic incentives generated by the high inherent productivity and profitability of the exotic varieties when combined with "modern inputs". It thus relies not only on the efficiency of farmers but also on their ability to respond to such incentives. Frequently, the policy gives the appearance of being indifferent towards institutional arrangements, including landlord-tenant relationships, and towards questions of equity. Its strong bias in favour of food requires for its justification the maintenance of a steadily increasing effective demand for domestically produced food. Since effective demand is sensitive to prices, there arises the question of consistency between the required expansion of demand and the high incentive prices which form a standard ingredient of the new policies.[59]

[59] S. Ishikawa, "A Study of Agricultural Development Strategies", *op. cit.* FAO, *Indicative World Plan for Agricultural Development*, October 1968, is based on a similar framework.

Chapter IV

THE IMPLICATIONS OF CULTIVATING HIGH-YIELDING VARIETIES

Technical aspects

The scientific breakthrough, which seems to have opened entirely new possibilities for the application of technology to agriculture, occurred in the breeding of high-yielding varieties of wheat, rice, maize, sorghum, and millet.[1] The research which culminated in the biological breakthrough resulted in the combination of the desirable characteristics of the *japonica* with those of the *indicas*. The *japonica* is characterized by dwarfism which is associated with high grain yield, stiff stem which reduces the susceptibility to lodging and thus increases yield, and erect and thrifty leafy growth which facilitates proper photosynthesis, i.e. enables the plant to get maximum heat and shortens the growth duration. *Indicas* possess better grain quality due to seed dormancy and greater resistance to diseases in tropical conditions.

The crucial stages in this process were the development in the 1950s and early 1960s of improved *indica* varieties of rice, such as *H4* and *H8* in Ceylon, *ADT-27* in India, *BPI-76* in the Philippines, *Peta* and others in Indonesia and *Tangkai Rotan* in Malaysia.[2]

In the case of wheat, the Mexican dwarf variety was successfully transplanted to both India and Pakistan. Further work in the two countries was mainly directed to improving the grain quality so as to overcome consumer resistance and reduce vulnerability to diseases. It resulted in the development of varieties superior to those imported from Mexico.[3]

Similar efforts to improve grain quality and disease resistance of rice are now in progress at the International Rice Research Institute (Philippines) and in India, Thailand and Malaysia. The recent development of *C4-63* in the Philippines,[4] *Padma* and *Jaya* in India,[5] 17-5-1-1 and 56-1-2 (LT x IR-8) in Thailand,[6] and *Bahagia* (a sister strain of IR-5) in Malaysia,[7] are some of the notable results.

The development of synthetic and hybrid maize in the Philippines, India and Pakistan, and similar developments in sorghum and pearl millet in India, mark the spreading of the new high-yielding technology to further grains.

The biological breakthrough has opened vast opportunities for increasing yields, and for greater cropping intensity through multiple-cropping and improvement in crop rotation. It has, however, also brought with it technical requirements of cultivation which are characteristic of the *japonica* and dwarf and semi-dwarf varieties. The crucial conditions for realizing the yield potential are heavy doses of chemical fertilizers, and technically superior water control and management. Cultivation is attended by high subsidiary vegetative growth, such as accompanies heavy fertilization, and by susceptibility to pests and diseases, floods and droughts.

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[1] For example, the introduction of the Mexican dwarf varieties of wheat and their further improvements in India and Pakistan owes its success to the initial crossing of tall, leafy, weak-stemmed *indica* with the short-statured, stiff-stemmed and erect-leaved *japonica* variety, Norin 10. This was accomplished in the United States of America after the Second World War. More or less, the same factors were responsible for the development of new varieties of rice for tropical regions which accelerated after the development of the *Taichung Native-1* (a semi-dwarf variety) in Taiwan in 1949.

[2] The desired characteristics: dwarfism, high yield, non-photosensitivity and fertilizer responsiveness, were obtained by crossing these with the semi-dwarf Taiwanese *indica* variety *Dee-geo-woo-gen* which possessed the characteristics of *japonica*. The "miracle" IB-8 rice of the International Rice Research Institute which was officially recommended for cultivation in October 1966, having both high-yield potential and non-photo-sensitivity, is a cross between peta (an Indonesian improved *indica*) and *Dee-geo-woo-gen*. Another well-known high-yielding variety, IR-5, is a semi-dwarf developed at the IRRI as a cross between two improved *indicas, Peta* and *Tangkai Rotan*. Thailand has developed an equally high-yielding medium-high variety by crossing its improved *indica, Leung Toang*, with IR-8. For comprehensive discussion of the technical characteristics of desired plant types for the tropics, see "The Mineral Nutrition of Rice Plants", paper presented at a Symposium at the International Rice Research Institute; A. Tanaka, "Growth Habits of the Plant in the Tropics and Its Effect on Nitrogen Response".

[3] Such as *Sonalika* (*S-308*), *Sonora-64* or *Kalyan-sona* (*K-227*), in India (Swaminathan, "Technological aspects of the High-Yielding Varieties Programme", *Economic and Political Weekly*, Annual Number, February 1969) and *Mexi-Pak 65, Indus-66* and *Mexi-Pak 69* (which is resistant to leaf and stem rust). New *Mexi-Pak varieties* have also been developed, e.g. *Khushhal 69* and *Mangala* (Asian Development Bank, Regional Seminar on Agriculture, Sydney, April 1969; country paper by A. Wahab).

[4] This was developed by the College of Agriculture, Philippines. It has better grain quality and is finding wider acceptance than IR-8. See R. Barker, "The Role of the International Rice Research Institute in the Development and Dissemination of New Rice Varieties", (mimeo.), 1969.

[5] "Experimental data on *Jaya* indicate a yield potential that is 10 per cent superior to the yield of IR-8, and it has a 10 day earlier maturity; it is somewhat more resistant than IR-8 to the diseases of blight and *pelast;* and it has fairly wide adaptability to the geographic diversity of the nation's rice areas and to the annual cycle of heavy monsoonal cloud cover and bright *rabi* sunshine. *Padma* has a grain quality superior to the earlier dwarfs, and it can be expected to find its greatest usefulness in seasons requiring a short duration variety such as the *boro* planting in north-eastern India and in multi-crop rotation". W. D. Hopper and W. H. Freeman, *Economic and Political Weekly*, March 1969.

[6] These varieties have comparable yield potential, IR-8 having better grain, and are medium-tall.

[7] It was released in September 1968 and is a selection made under Malaysian conditions from early bulk seed of the cross, *Peta* x *Tangkai Rotan*, obtained from IRRI in 1964. Paper to the IRC, Tokyo, *op. cit.*, p. 8.

These characteristics of the new varieties have been demonstrated by co-ordinated trials and experiments in different regions of some countries. In the Philippines, IR-8 has consistently given yields of about 7.0 tons per hectare in the wet season and 9.0 tons in the dry season.[8] High yields of 6-7 tons per ha were obtained from these varieties at experimental stations in India[9] and Thailand.[10] The corresponding yields of *Taichung Native-1* in the Philippines and India have been about 5 tons per ha. By and large, similar yields have been recorded for the recently developed "improved" high-yielding varieties, such as *C4-63*,[11] *Padma* or *Jaya*,[12] which require much lower doses of fertilizer than the earlier generations of high-yielding varieties. These yields may be compared with the average national yields amounting to 1.3-2.5 tons[13] per ha in these countries: if the full yield potential of the high-yielding varieties were to be realized, the prevailing yields could be raised by 300 to 500 per cent.

The experimental yields of wheat (*Lermo Rojo, S-64* and *K-227*)[14] in India were about 3.5 to 5.0 tons per ha. This was about 400 to 500 per cent larger than the average yield of about 0.92 tons/ha between 1964/65 and 1967/68.[15] Similar yield potentials were discovered in hybrid maize, sorghum and pearl millet. The results obtained for maize in India are consistent with the results of similar experiments in the Philippines.[16]

The non-photo-sensitivity of all these varieties, particularly of rice and other cereals, is reflected in the short duration of growth and in height. IR-8 and IR-5 mature in 100-125 days which is about 20-30 days less than the period required by the native *indicas*. The height of IR-8 is about 90.0 cm compared with about 150 cm for local varieties. IR-5 grows to 120-125 cm and is regarded as medium-tall.[17] Dwarf Mexican wheat and its variants are considerably shorter than the local *indicas*.

High yields accrue under controlled conditions, particularly under assured and regulated water supplies, and with large doses of fertilizers and plant protection chemicals.

The doses of fertilizers (nitrogen, phosphate and potash) required for "maximum yield",[19] and not normally attainable in economic farm enterprise, vary according to soil and climatic conditions.[20] Generally speaking, 100-200 kg/ha of nitrogen (ammonium sulphate) in addition to a basal dose of 40-80 kg/ha of all three types of fertilizers are needed to exhaust the yield potential of the high-yielding varieties. For wheat, the required doses of fertilizers are of the same order.[21] For maize, sorghum and millet, the quantity of chemical fertilizer required to give maximum yields may not be as large as for rice and wheat but it is still many times larger than the average application per ha which is usual in these countries.[22]

Since most of the high-yielding varieties have inherited a susceptibility to various pests and diseases, their need for plant protection chemicals is high. The application of large doses of fertilizers also accelerates the growth of weeds which flourish in tropical conditions.[23] While no quantitative estimates of plant protection materials per ha are available, the large experimental yields were presumably not possible without large doses of such chemicals.

Regulated and managed water inputs stand in a relation of crucial complementarity to heavy doses of fertilizer. The need for water and the required extent of water control and regulation differ from crop to crop. The requirements of rice are by far the largest in terms of both absolute quantity[24] and the necessary degree of control and management. While conventional and new varieties may not differ much as regards quantity of water, a much higher degree of control and regulation is needed for the latter.[25]

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[8] S. Ishikawa, "Development Strategies", *op. cit.*, p. 24; and IRRI reports.

[9] I. J. Singh, T. K. Choudhury and D. Rao, "Response of Some High-Yielding Paddy Varieties to Nitrogen: An Economic Analysis", *India Journal of Agricultural Economics*, October-December 1968.

[10] Rice Department, Bangkok.

[11] IRRI reports.

[12] India, *Annual Plan*, 1969-70.

[13] In the period 1964/65 to 1966/67, the average yield of rice in tons/ha was 2.63 in Malaysia, 1.89 Ceylon, 1.82 in Indonesia, 1.72 in Pakistan, 1.67 in Thailand and 1.31 in the Philippines. (Asian Development Bank, *Asia Tables*, Manila, March 1969, Tables A-2, 3.)

[14] I. J. Singh and K. C. Sharma, "Response of Some Mexican Seed Varieties and Indian Amber Varieties to Nitrogen", and K. C. Kaul, "Response of HYV of Wheat to Nitrogen", *Indian Journal of Agricultural Economics*, October-December 1968.

[15] India, Ministry of Food and Agriculture, *Area, Production and Yield of Principal Crops in India, 1949-50 to 1967-68.*

[16] *Expanded Corn Production Program, op. cit.*

[17] IRRI, experimental results.

[18] "Maximum yield" derived from the yield-fertilizer response function at a point where the first derivative is zero and the second derivative is negative.

[19] In Maligaya in Central Luzon, Philippines, during the wet season of 1966/67, the fertilizer dose for obtaining maximum yield was about 120-150 kg/ha and, in the dry season, about 180 kg/ha (IRRI, *Annual Report, 1968*). In Thailand, the required doses of fertilizer for IR-8 and IR-5 at various experimental stations were also around 150 kg/ha of nitrogen (Rice Department, Thailand).

[20] For rice and wheat, the fertilizer required to achieve the maximum yields of 7 and 5 tons respectively, is around 150 kg/ha of nitrogen and a basal dose of 80 kg/ha of superphosphate. I. J. Singh, T. K. Choudhury, D. Rao and K. C. Sharma, *op. cit.*).

[21] The figures relate to 1965/66. Since then the average application has considerably increased, but present quantities are still far below the requirements of maximum yield.

[22] College of Agriculture, Philippines, *Rice Production Manual*, p. 183.

[23] Water requirement of rice are about three times larger than those of wheat, maize and sorghum; table A-3.4, Asian Development Bank, *Asia Tables, op. cit.*

[24] J. S. Kanwar, "From Protective to Productive Irrigation", *Economic and Political Weekly*, March 1969.

Excess or deficiency of water may cause sharp reductions in yield for given amounts of fertilizer.[26]

Even under experimental conditions, annual changes in climatic conditions have a large effect on the responses of yield to fertilizer. The annual variability in yields is particularly marked between the wet and the dry seasons. Most of the rice is grown in the wet season which is marked by frequent typhoons, floods, and droughts. Experiments by the International Rice Research Institute suggest that the relative advantage enjoyed by regions of dry climate production is due not only to the high-yield potential, but also to the relatively stable response of yield to fertilizer.[27] Better performance in dry regions, however, is conditional on larger quantities and better control of water.

Perhaps the most critical technical requirement of high yields is the manner and timing of application of the various inputs. Requirements in this respect vary with soil fertility and environmental conditions. Further, while the short stature of the high-yielding varieties contributes to the increase in yield, under regulated conditions of water, it reduces yield considerably under such flood conditions as are found in the central regions of Thailand and East Pakistan. Under gravity-flow methods of irrigation, yield increases may be retarded because plant nutrients are likely to be washed away.

The extremely high yield potential (10-15 tons per hectare per year, allowing for double-cropping), and the relatively short maturing period of the high-yielding varieties have been clearly established, but they make substantial technical demands, particularly for regulated and controlled supplies of water and appropriate doses, perfect timing and precise combination of the basic inputs.[28] These demands differ widely between regions and between times within a crop year.

The economics of cultivating high-yielding varieties

Yields and profitability

The profitability of the new varieties depends on the conditions under which the observed yields were achieved, and on prices. The calculations are frequently based on the support prices for grains (which, while often below market prices, stand in a dubious relation to producer prices), and on the market prices for fertilizer. Given prevailing prices, the high yields achieved under experimental conditions (5-6 tons/ha at the most profitable level of fertilizer use), result in substantial profits after meeting all other additional costs, such as labour, plant protection chemicals, and interest on fixed and working capital.

High-yield potential under experimental conditions and equally high profitability under conditions of perfect certainty are no guide to what will happen on the farms where widely different conditions prevail. This much is evident from the wide gap between actual and potential yields: the actual performance of the new varieties appears less spectacular, even when compared with that of local varieties grown under similar conditions (table I-A-12).

Broadly speaking, the yields of the high-yielding varieties grown on farmers' fields, under relatively suitable conditions,[29] have been found to be about one fifth to one fourth of the yield potential established in experiments. The yields of the new varieties exceeded those of local varieties by about 40-50 per cent for rice, 80-100 per cent for wheat and around 100 per cent for other cereals. The transition from local to new varieties raised profitability in a lesser proportion than yields: at farm level, costs rose proportionately faster than yields.

The impact of the new varieties on average crop yields is not yet established. Increases in yields in India in 1967/68 were small, with only 6.2 per cent of the total area under high-yielding varieties of foodgrains.[30] In West Pakistan, the yield of Mexi-Pak wheat is now only about 50 per cent higher than the average yield of wheat. The difference between yields of the two kinds of varieties may not be very great if the comparison is made with local wheat cultivated on irrigated land. The yield of Mexi-Pak wheat rose sharply in 1966 to 2.5 tons/ha but came down to 1.95 tons/ha in 1967/68 and is estimated to be about 1.5 tons/ha in 1968/69.[31] This decline is mainly due to the introduction of high-yielding varieties into relatively less suitable areas. In the Philippines, also, the additions to yield appear to taper off: the average yield of the "adopters" in the selected regions came down from 4.5 tons/ha in 1966 to 3.4 tons/ha in 1968 (table I-A-12). It is,

[25] Takase and Kano, in Asian Development Bank, *Asian Agricultural Survey, 1968, pp. 527 and 540.* See also the comprehensive schedule for drainage and irrigation for low-land early maturing varieties under the alternative methods of "soil submergence" through continuous flooding and "intermittent irrigation and drainage", in the *Rice Production Manual, op. cit.*, pp. 109-110.

[26] In the wet season, the yield varied between 6,288 kg/ha in 1966, 3,142 kg/ha in 1967 and 5,440 kg/ha in 1968. The corresponding optimum levels of fertilizer used were 104.8 and 128 kg/ha respectively. On the other hand, the dry season yields were 6,855, 7,346 and 7,259 kg/ha, and optimal fertilizer doses were 162, 153, 157 kg/ha respectively during 1966, 1967 and 1968. (IRRI, *Annual Report, 1968*, pp. 16-18). Optimal doses are calculated by equating the marginal revenue with marginal cost, at prevailing relative prices of fertilizer and rice.

[27] Even the inappropriate combination of various types of fertilizers affects yield. For example, excessive doses of nitrogen without a commensurate dose of phosphatic fertilizer caused bacterial blight at certain places in India. See Ministry of Food and Agriculture, *Report, 1967-68*, p. 12.

[28] For example, the irrigation ratio of the fields/plots where new varieties were cultivated was about 70-100 per cent in all countries. See references to table 12.

[29] While the contribution of the new technology to the foodgrains output in 1967/68 is still debated, the estimated additional output, i.e. 3-4 tons, is much lower for the area under these varieties during the year. Similar estimates for 1968/69 are not yet available. Ministry of Food and Agriculture, Agricultural Prices Commission, *op. cit.*, and Cummings and Ray, *Economic and Political Weekly, op. cit.*

Table I-A-12. India, Pakistan and the Philippines: Yields of high-yielding varieties on farms

Country	Crop	Place: State	Place: District	Year	Local name	Yield ton/ha	High-yielding variety	Yield ton/ha	Percentage increase over local varieties
India	Rice	Maharashtra[a]	Kolaba	1967/68	Local	2.10	TN-1	3.05	45.2
		Madras[b]	Thanjaur	1967/68	Local	2.19	ADT-2	3.44	57.1
		Assam[c]	Sibsagar	1967/68	Local	2.01	HYV	3.24	61.2
		Andhra Pradesh[d]	West Godavari	1967/68	Local	3.57	IR-8	5.69	59.4
		West Bengal[e]	Birbheum	1967/68	Local	2.86	IR-8	4.48	56.8
	Wheat	Punjab[f]	Karnal	1967/68	Local	1.56	Mexican	2.72	74.6
		Uttar Pradesh[f]	Saharanpur	1967/68	Local	n.a.	Mexican	2.38	60-70 (e)
		Uttar Pradesh[g]	Aligarh	1966/67	Local	1.26	HYV	2.65	111.1
		Madhya Pradesh[h]	Indore		Local	0.69	Sonora 64	2.18	215.9
							Lerma Rojo	2.40	247.8
							S. 227	3.60	421.7
	Maize	Uttar Pradesh[g]	Aligarh		Local	1.84	Hybrid	4.17	126.9
	Bajri	Maharashtra[i]	Dhulia		Local	n.a.	Hybrid	1.67	200-300(e)
	Sorghum	Mysore[j]	Dharwar	1967	Local	1.04	Hybrid	2.85	175.0
Pakistan (East)	Rice	Comilla[k]		1965/66	Shiata	0.63	Taipei-177	1.31	107.9
					Boro	0.83			57.8
				1966/67	Shiata	0.79	Taipei-177	1.41	78.5
					Boro	0.83	IR-8	1.67	101.2
Philippines	Rice	Laguna[m]		1966 wet	Local	2.38	HYV	4.36	83.5
				1967 dry	Local	2.42	HYV	4.71	94.6
				wet	Local	2.11	HYV	4.22	100.0
				1968 dry	Local	2.99	HYV	3.48	16.4
				wet	Local	2.77	HYV	3.34	20.6
				wet	Malagit	2.82	IR-8	3.70	31.1
		Rizal[n]		1967 wet	BPI-76	2.77	IR-8	3.61	30.2
					Intan	2.82			27.9
				1968 dry	Binato	3.92	C4	4.31	9.9
							IR-8	4.66	18.9
							IR-5	7.13	81.9

Sources: [a] M. K. Shingarey and R. E. Waghmare, "The Study into Economics of Cultivation of Taichung Native Paddy in Kolaba District of Maharashtra", *Indian Journal of Agricultural Economics*, October-December 1968.
[b] M. D. Gopalakrishnan, "Productivity and Profitability of ADT-27 in Thanjavur District of Madras", IJAE, *op. cit.*
[c] D. Gohain, "Economic Aspect of High-yielding Varieties Programme", IJAE, *op. cit.*
[d] T. Ramakrishna Rao, "Economic Aspects of High-yielding Varieties Programme in West Godavari District", IJAE, *op. cit.*
[e] S. Sengupta and M. G. Ghosh, "HYVP Rice Performance in a Bengal District", *Economic and Political Weekly, Review of Agriculture*, October 1968.
[f] Agricultural Economics Centre, Delhi University, *Evaluation of High-Yielding Varieties in Karnal District, Haryana, August 1968*, and *Report for Saharanpur, U.P.*
[g] G. S. Lavania and R. S. Dixit, "Economics of High-Yielding Varieties in Package District, Aligarh", *Indian Journal of Agricultural Economics*, October-December 1968.
[h] J. S. Sisodia, "Some Economic Aspects of High-Yielding Varieties Programme of Indore District", IJAE, *op. cit.*
[i] R. S. Savale, "Economics of Cultivation of Hybrid Bajri Crop in Dhulia District (Maharashtra)", IJAE, *op. cit.*
[j] J. V. Venkataram and R. Ramana, "Economic Aspects of High-Yielding Crops — Hybrid Jowar", IJAE, *op. cit.*
[k] *Costs and Returns, Economics of Winter Irrigated Crops in Comilla*, Pakistan Academy for Rural Development, Comilla, East Pakistan, *Reports for 1965/66 and 1966/67*, July 1966 and July 1968 respectively.
[m] International Rice Research Institute, Department of Agricultural Economics, *Annual Report, 1968.*
[n] R. Barker, "Economic Aspects of High-Yielding Varieties of Rice with Special Reference to National Price Policies", paper prepared for thirteenth session of FAO Study Group on Rice, Manila, March 1969, and published in FAO, *Monthly Bulletin, July 1969.*

Note: (e) Estimated.

however, not intended here to depreciate the latent possibilities of achieving the yield and profitability potential of the new varieties, but rather to underline the importance of exploiting these possibilities. As the farmer is the basic decision-maker, his response to such new possibilities assumes pivotal importance.

Producer response

The degree to which the possibilities of the new techniques will be exploited, within limits set by public policy and supplies, will be determined by the response of producers: by the quality of their response in respect of any one acre and by the number of acres on which this response is made. Profitability and risk will be prime factors in producers' response. The operation of these factors varies with the main institutional features of agriculture. One of these is the uneven distribution of agricultural land and wealth which is of immediate importance to the dissemination of the new techniques because these techniques require unprecedently large cash outlays by the farmer and because a farmer's access to credit is likely to be related to his wealth. The conditions of occupancy are also likely to determine attitudes to investment on the land, and to risk.

The potentially large productivity and hence profitability of the new varieties, when compared with local varieties, can be achieved when the "package of practices" is adopted at a certain level. There is thus the question of the mechanism which might ensure adoption at such a level. The price mechanism can of course play the part expected of it to the extent that decisions are based on the profit motive. In the case of farmers who aim at maximum profit, uncertainty about prices and weather may reduce the adoption level considerably.[32] In so far as yield potentials are established in the form of response curves from experimental data, it needs to be borne in mind that the price mechanism cannot normally lead farmers to use an input to the point of maximum yield. This is true, for instance, whenever the response of yield to, say, fertilizer, exhibits marginal returns (in terms of yield) which diminish continuously and uniformly as the quantity of fertilizer per acre is increased. "Recommended" levels of fertilizer use are, to some extent, conditional on certain relative prices of grain and fertilizer.

The observed large gap between potential and actual yields suggests that adoption must have been at a fairly low level.[33] This is partly reflected in the doses of fertilizer and pesticides which generally reached only 20-30 per cent of the recommended level. With low doses of these inputs, local improved varieties have been found to perform better than high-yielding varieties.[34] It follows that the remarkably rapid expansion of area under the new varieties (table I-A-11) does not show the intensity of adoption.

Changes in production processes (production functions)

Empirical evidence is still insufficient for rigorous enquiry into the question of producer responses but an examination of the changes in production functions, cost structures, and the implicit risk and uncertainty, provides an insight into the requirements and problems of stimulating producer responses.

The high-yielding varieties require more labour and capital per unit of land than the traditional varieties. The additional labour required per hectare amounts to about 30-40 per cent[35] and increases proportionately for double-cropped land. The additional demand for labour to carry out fertilization, weeding and plant protection is inherent in the use of high-yielding varieties. Poor threshing characteristics and greater physical quantities of output of the new grains[36] lead to additional labour requirements. While the need for additional labour benefits the labour-abundant rural households, the timing of these requirements, particularly for weeding, harvesting and threshing, coincides with situations when labour is in relatively short supply. Such seasonal labour shortages are not uncommon in traditional cultivation and force households, which at other times have labour surpluses, to pay abnormally high wages. The new varieties accentuate these seasonal labour shortages and the net outcome is likely to be a higher proportion of hired labour in the total labour input. This in turn will raise the amount of cash needed for paying labour, a requirement which is otherwise negligible or non-existent on the small farms.

[30] National sources. The figure for 1968/69 is provisional.

[31] This is demonstrated by the slow rate of dissemination of the improved *indica* varieties showing marginal response (of about 10-20 per cent increase in yield) to fertilizer. Such gains in productivity are more likely to be neutralized by the degree of risk and uncertainty (mainly due to uncertain weather) that accompanies the use of fertilizer. See FAO, *Statistics of Crop Responses to Fertilizers*, 1966.

[32] See Government of India, Ministry of Food and Agriculture, *Report, 1967-68*.

[33] In the Punjab, only 30 per cent of the farmers apply the full amount of N, and hardly any farmer uses the recommended P_2O_5 and equal amount of K_2O. (Wolf Ladejinsky, "Green Revolution in Punjab", *Economic and Political Weekly*, June 1969; see also Planning Commission, the Programme Evaluation Organization and Ministry of Food and Agriculture, *Report, 1966-67*. The experience of Ceylon confirms these findings.

[34] In India, labour requirement per hectare for Mexican wheat was found to be ca. one-third larger than for local varieties, mostly because of extra weeding, fertilization, and plant protection. The labour required for land preparation, seeding and the remaining processes was similar for both processes. The additional labour requirement was greater for paddy than for wheat. See the studies by Sisodia, and Waghmare in the *Indian Journal of Agricultural Economics*, October-December 1968; East Pakistan: Labour days/ha required for IR-8 were 69 and for Boro (local), 47 day/ha (1966/67). See Pakistan Academy for Rural Development, *Costs and Returns: Economics of winter-irrigated crops in Comilla, 1965/66*. In the Philippines, man days/ha required for IR-8 were 77.3 compared with 50.5 for local varieties in the wet season of 1966/67. See Barker, Role of IRRI, *op. cit.*

[35] IRRI, *Annual Report, passim*. Philippines College of Agriculture, *Rice Production Manual*.

Most of the additional capital is needed as working capital to buy fertilizer, pesticides, water and labour services. Fixed capital for mechanical fertilization, weeding, threshing and drying of grains is needed on a relatively small scale in the short run. In the long run, however, tubewells, pumping sets, mechanical harvesters, and tractors, as well as structures may have to be acquired. On large farms, which depend entirely on hired labour and are relatively better endowed with resources, long-term changes in factor proportions may occur much earlier than on small farms.

The effect of changes in production functions on costs should, therefore, be to increase total costs in general and the cash component of costs in particular. Fertilizer purchases will make the largest claims on the liquid resources of farmers. Lastly, the farmer's response will also be governed by the prices that he has to pay for inputs. Relative abundance or scarcity of inputs, as reflected in their relative prices, will influence his long-term choice between labour-intensive methods and mechanization.

These changes in the production function initially favour the relatively prosperous farmer with suitable areas at his command. Small farmers, whose liquidity position is traditionally poor and who are discriminated against by the existing institutional arrangements, will find it difficult to respond as fully as the new techniques require and particularly to undertake continous cultivation of the new varieties. They are likely to adopt the new varieties at a relatively lower level. Experience shows many cases of low-level adoption and of adopters who drop out later on.[37]

Risks

The risks of a process of production are easier to describe than to measure. Such empirical evidence as is available on the relative degree of risk of cultivaton by the new techniques does not all point in the same direction. While risk-increasing factors can be readily enumerated, it has also been found that increased fertilization reduces production risk if this is defined in a particular way.[38]

A number of technical and economic factors, however, seem to suggest that, other factors being the same, the new varieties involve the cultivator in relatively higher risks than does conventional cultivation. Because of their greater susceptibility to diseases and pests and low resistance to drought and flood conditions, the new varieties are peculiarly susceptible to the wide variations in tropical climatic conditions. Inadequate control and regulation of water and gravity-flow irrigation augment the risk.[39] If there is uncertainty relating to adequate supplies of inputs and credit at the opportune time, this factor will also tend to make the new varieties somewhat more risky.

In the initial period, the poor grain quality of the new varieties breeds strong consumer resistances which create uncertainty about the prices at which they can be sold. Market prices have in almost all countries been lower for the new varieties than for the traditional ones, except where new grain was used as seed.[40] The pressure of demand in food-deficit countries prevents these resistances from being clearly reflected in adverse relative prices. An improvement in the supply situation, however, makes the differences effective:[41] the new grain has run into marketing problems in parts of India[42] and Pakistan.[43] In a food surplus country, such as Thailand, the apparent difference in grain quality between IR-8 and IR-5 and the local improved *indica* varieties makes it unlikely that these new varieties will be accepted by the farmers. The quality differences affect profitability and thus tend to reduce the net productivity gains.[44] For example, in the Philippines, the lower returns for IR-8, compared with other local varieties, were mainly due to lower prices, the price difference being 20 per cent. Returns over variable cost of local varieties and B P1-76 improved *indica* were 657 pesos and 647 pesos per hectare respectively, compared with 495 pesos for IR-8 in the 1967 wet season.

There is also a need for making quality seed available on an assured basis. The precondition for the availability of quality seed is its multiplication, grading and certification under technical supervision and its distribution through responsible agencies. Without this, the farmers may not get the proper seed. Yield, and hence profitability, may be affected by this uncertainty.[45]

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[36] For the Philippines see Ishikawa, *op. cit.*, and for India see Ministry of Food and Agriculture, *Report*, various issues.

[37] B. S. Minhas and T. N. Srinivasan, measuring risk by the variance of yields, found that increasing levels of fertilization reduce the inter-field variation in yields during a given year, as well as the inter-year variation in mean yields. See B. S. Minhas, "Growth Stability", *Economic and Political Weekly*, Special Number, July 1968.

[38] Plant nutrients are likely to be carried away from the fields.

[39] IRRI, *Annual Report*, 1967 and 1968; also the reports of the Indian Ministry of Food and Agriculture.

[40] S. C. C. Jain and R. Singh, "Consumer Preferences of Wheat", *Economic and Political Weekly*, September 1968.

[41] Particularly in Haryana and Punjab where the zonal restriction on the movement of foodgrains created problems of selling Mexican varieties in 1967/68. See Agricultural Economic Centre, Delhi University, *Evaluation Report for Karnal and Amritsar*.

[42] Reported by the Pakistani representative at the Fifth Seminar of Development Planning, Bangkok, September 1969.

[43] The effect of price differentials is also clearly reflected in the seasonal pattern observed in the adoption of new varieties (IRRI, *Annual Report, 1968*).

[44] One of the reasons for the declining yield of Mexi-Pak wheat in Pakistan may be large-scale seed adulteration. Further, "since certified seed has to be renewed every three or four seasons in order to maintain its purity and high-yielding capacity, provisions should be made to ensure that cultivators receive new supplies", Ceylon, Ministry of Agriculture and Food, "Agricultural Development in Ceylon", September 1969 (mimeo.), p. 36.

Other risk-increasing factors operate in the harvesting, drying and storing of the new varieties. In the cultivation of the new varieties, the timing and precision of operations and inputs is of critical importance for grain yield and hence profitability. Problems of the timely availability of inputs, such as fertilizer and pesticides, and of the credit to purchase them as well as the demand for labour for weeding, harvesting and threshing at times of labour shortage, are thus likely to raise producer uncertainty. The need for quick drying and storing, to protect the crop against the weather and to prepare for the next crop, tends to augment risk and uncertainty if facilities are not adequate.

The precise effect of risk and uncertainty on yield and profitability is difficult to ascertain. Research on decision-making under normal conditions of risk and uncertainty, on highly simplified assumptions, suggests that there is a cost attached to unpredictable year-to-year variations in yield and prices.[46] Different attitudes towards uncertainty appear also to lead to widely differing doses of fertilizer being applied in different seasons, and thus also to great differences in yields and financial returns.[47]

The risk-bearing capacity of a large section of farmers is extremely limited, due to the highly uneven distributions of income and rural assets, including land. In India, over 60 per cent of all cultivating households own and operate less than 5 acres of land and those having 5-10 acres form another 26 per cent; together they account for only about 40 per cent of the total cultivated land.[48] The distribution of assets, which is heavily influenced by the distribution of land, is accordingly highly unequal.[49] As credit-worthiness and resourcefulness are positively related to income and assets, they also are very unequally distributed. This is reflected in the disproportionately high share of large-asset groups in the total of institutional credit and the disproportionately low share of low-asset households in the sum of rural household borrowings from both institutional and non-institutional sources.[50]

The situation is similar in other countries. In West Pakistan and the Philippines, about 80 per cent of all holdings, covering some 45 per cent of the area, were below 5 acres.[51] In Ceylon the corresponding percentages were 85 per cent and 30 per cent respectively in 1962.[52] Similarly, in West Malaysia, paddy holdings below 5 acres form about 66 per cent of all holdings and account for 45 per cent of the total area,[53] and in Thailand these percentages are 73 and 44 per cent respectively.[54] An unequal distribution of land and rural wealth is likely to affect the pace at which the new techniques will spread, but the nature of the effect will differ according to the length of the period considered. Generally, it has to be feared that small farmers with low assets will find the high initial cash requirements of the new techniques a deterrent to their adoption unless immediate measures are taken to increase bank credit and the supply of fertilizers and seeds to small cultivators. Transition to the new technique involves a great increase in costs as well as in the yields that can be expected. The sum at risk is represented by total costs, however calculated, and, if the rise in these costs is large in relation to the farmer's assets, small and poor farmers may not adopt the new methods. In the short run, however, the very fact that relatively few large farmers control a relatively large area of cultivated land reduces the force of institutional obstacles and favours the dissemination of the new techniques, provided only that the land is suitably provided with water. If one adds to this the view that the marketable surplus of the larger farmer is more likely to increase by the full amount of any additional output than that of the small farmer, one has presented two of the main considerations that have led several countries to rely on the effectiveness of the technology in the existing institutional state of their agriculture.

The agrarian organization, on the other hand, directly affects the profitability of the new techniques to cultivators and, thus, the rate of their adoption. Tenancy and share-cropping are widely prevalent in the productive regions of these countries. This is true of the Indian states of Punjab, Kerala, Bihar, West Bengal, Assam and Andhra Pradesh,[55] Central Luzon in the Philippines,[56] the north-western and western regions of West Malaysia,[57] and the central plain of Thailand.[58] Tenants may be unwilling to carry out, on their own account, the investments which may be required to fit the land for the new method of cultivation. Share-croppers may find that rising

[45] "This cost is greatest when the most conservative criterion is adopted. However, even using the least conservative of decision-making rules, there is still a cost due to uncertainty". It was also found that "for fertilizer-responsive varieties, such as IR-8, high yields can be achieved in the good years while the loss in the 'poor' year would be very small". IRRI, *Annual Report, 1968*, p. 25.

[46] Optimal doses of fertilizer varied from zero to 90 kg/ha in the wet season and from 150 kg/ha to 180 kg/ha in the dry season. *Ibid.*, p. 23.

[47] National Sample Survey, 16th Round.

[48] Reserve Bank of India, *All-India Rural Debt and Investment Survey, 1961*, Reserve Bank of India, *Bulletin*, September 1965.

[49] *Ibid.*

[50] FAO, *Report on the 1960 Census of Agriculture*, Vol. I, Part A.

[51] Reply to ECAFE Questionnaire on Agriculture, 1969.

[52] Tan B. T. and T. F. Weaver, "Sources of Output Growth of Rice Production in West Malaysia, 1951-1967", *op. cit.*

[53] Thailand, *Statistical Yearbook, 1966*.

[54] P. S. Sharma, "A Study of the Structural and Tenurial Aspects of Rural Economy in the Year of 1951 Census" (mimeo.).

[55] Ishikawa, *op. cit.*, "Central Luzon is characterized by an extremely high rate of share tenancy or tenancy in general", p. 21, see also table 2, p. 22.

[56] Tan and Weaver, "Sources", *op. cit.*, pp. 24-25, see also Ishikawa, "Direction of Technological Change in Agriculture", Development Planning Seminar, September 1969, *op. cit.*

[57] *Ibid.*; see also Thailand, *Statistical Yearbook, 1966*.

costs, and possibly also greater risks with high-yielding varieties, raise the size of non-shared risks and be discouraged from accepting the new methods.

A further factor which tends to reduce profitability is the inadequacy of rural credit. In all the countries, most of this credit is provided by non-institutional agencies, the share of institutional credit being no more than 20-25 per cent.[59] Credit obtained per hectare in 1960 has been estimated as $60 in the Philippines, $4.0 in Ceylon, $3.4 in India, $1.8 in Pakistan and $0.3 in Thailand; figures which may be compared with $233 per hectare in Taiwan and $211 in Japan. There seems to have been only a small improvement in the situation since 1960. Although the size of institutional credit in the Philippines appears large in comparison with the other countries, it is unsatisfactory in comparison with rural requirements.[60] The unfavourable situation obtaining in other countries is thus high-lighted. Further, most of the institutional credit is provided against real estate and other security.[61] Indeed, a greater part of the rural credit is available from the non-institutional agencies. Even when loans from the unorganized credit market are available without security, the prohibitive rates of interest, ranging from 25 to 50 per cent per annum, are likely to reduce significantly the gains in productivity from the new technology.

It is too early to judge the strength and continuity of producers' responses and not yet possible to isolate the impact on profits of risk and uncertainty on the one hand and of organizational and institutional factors on the other. The inherent flexibility and divisibility of the modern inputs imply that producer response can be induced by government price policies, measures to improve credit and supplies of physical inputs, public expenditure on infrastructure, agricultural extension work and fiscal incentives. Such action can be used to extend opportunities, incentives and benefits to the lower strata of farmers. Left to itself, however, the process of dissemination and assimilation of the new techniques in agriculture is likely to be slow and may suffer interruptions or saturation, particularly in areas where many farmers are poor.

Problems of over-all economic effects

On the level of the national economy, the technical and economic requirements of cultivating high-yielding varieties entail significant claims on resources in general and on foreign resources in particular. The new agricultural strategies may also require review of policies relating to income distribution and agrarian structure.

Resource implications: irrigation and fertilizer

Assured and regulated supplies of water are a prerequisite of the new strategy in general and of rice cultivation in particular. Till recently, irrigation policies were centred on public investment in major and medium irrigation projects, mainly for the purpose of spreading water over a large area. The design, co-ordination and utilization of these projects have not always been wholly satisfactory,[62] and will now require concerted action by the authorities.

Minor projects such as tubewells, pumping sets or small water reservoirs have not been given high priority and the question of repairing and maintaining existing facilities has, at times, been neglected. A large part of the water potential has thus been lost and the over-all level of control and regulation has remained low. It appears, for example, that the distance separating water courses is often too great for adequate delivery of water to land in between. Conditions in India and East Pakistan are broadly similar to those in Indonesia.[63]

The adoption of the new strategy thus demands a shift in the strategy for irrigation. In the initial stages, however, the availability of suitably irrigated areas may not be a serious bottleneck in these countries.[64] Even the shift in the strategy for irrigation may not lead to a radical shift in the allocation of national resources. A certain reallocation of resources in favour of irrigation may be thought desirable in several countries, not least because these projects are apparently labour-intensive. If the exploitation of the biological advances is to be pursued, however, a steady rate of increase in irrigation facilities of the "modern" type at progressively increasing costs will be required. The planning, construction and implementation of the efficient utilization of irrigation and drainage networks of a modern type also demand time and resources.[65] By far the most

[58] It was 18.7 per cent in India in 1962/63 and 35 per cent in the Philippines at about the same time.

[59] See Ishikawa, *op. cit.*, p. 44.

[60] In the Philippines, for example, 76 per cent of the total institutional loans were secured by farmers against real estate mortgages. The unsecured loans were only 6 per cent of total institutional credit. In India, also, institutional credit is given entirely against security, while a large part of non-institutional credit is unsecured. (See Ishikawa, *op. cit.*, p. 50, and various studies in the *Indian Journal of Economics* and Reserve Bank of India, *Rural Debt Survey, op. cit.*).

[61] Not infrequently ". . . . the major civil works were built without thought to the distribution of water or its use on crops; design responsibility was presumed to end with delivery of water to the village or local area, leaving it to each farmer to carry it from there. There was also a wide gap between irrigation potential created and its utilization, a gap mainly due to a time-lag between the completion of the main irrigation project on the one hand and the construction of water courses and levelling and preparation of land on the other". See Takase and Kano, *op. cit.*, p. 531.

[62] *Ibid.*, p. 543. "Usually the distance is 0.5-1.0 mile . . . . in Indonesia. Even in Malaysia it is only recently that distance was reduced to 300-400 metres, a reduction made as a result of work done at the Muda Experimental Station". On the other hand, "China (Taiwan) has a much shorter distance of 100 metres and intensified water management".

[63] See FAO, *Indicative World Plan for Agricultural Development, op. cit.*, p. 28 and table 7 (Appendix).

[64] See Takase and Kano, *op. cit.*, pp. 535*f*.

important resource implication of the new strategies arises from their large demand for fertilizer and plant protection chemicals.

To the extent that fertilizer is imported, foodgrain production will, initially, make somewhat heavier demands on foreign exchange than before. However, the new strategies will increase domestic production which will replace imports of foodgrains. Further additions to output will be destined for export or for raising domestic levels of consumption.

The creation or expansion of domestic fertilizer industries demands large investments of foreign resources and thus will entail some restraint on other forms of investment. The economies of scale in fertilizer production[66] argue for large installations (presumably of a capacity of 200,000-250,000 tons per year to attain competitive cost) and these commitments have to be made amidst a rapidly changing technology and use pattern of fertilizer. Where essential raw materials are not available, and this appears to be the case in most countries of the region except Indonesia and the Philippines, production and consumption (e.g. of potash and phosphate) will continue to depend on imports.[67] To the extent that raw materials are available in the region, co-operative arrangements in production should help to meet some of the fertilizer requirements of countries dependent upon imports.

Less critical issues are raised by further resource implications of the new strategies, such as research, provision for the supply of quality seed,[68] road construction, and the establishment of an efficient organization for the supply of large quantities of basic inputs and credit in precise quantities and at the proper time.[69] Provision will also have to be made for the so-called "second generation" needs for drying, storing, milling and marketing of grains.

Price policy and the public commitment

The relative prices and the expected future prices of output and inputs play a central part in determining the amount of risk in adopting the new varieties and in encouraging producer responses. From the point of view of the economy as a whole, incentive prices fixed so as to elicit a certain response from cultivators cannot be considered in isolation from the prices that consumers have to pay on the one hand and the profitability of other crops and non-agricultural products on the other hand.

The high guaranteed prices of grains which are widely favoured as a necessary incentive for the cultivation of high-yielding varieties,[70] have additional implications of both types. Since governments are committed to support such prices irrespective of the supply situation, there are further effects on and via the government's budgetary position. The conditions prevailing in several countries have tended to make these high support prices rigid,[71] and thus deprive the policies of flexibility. When compared with the import prices (export prices of the exporting countries), the support prices of wheat and maize in India and Pakistan stood much above the international level (table I-A-13). The reduction in the price of wheat in Pakistan this year does not alter the situation materially.[72]

So long as the domestic demand exceeds total supply (an excess which is under the government's control insofar as imports are obtainable), support prices normally remain much below the market prices. Unexpected surpluses, however, create a drain on the government's resources, as happened in West Pakistan in the wake of a phenomenal increase in wheat production in 1967/68 which forced the Government to buy above market prices and well above import prices. The Philippines faced a similar situation in the rice market during 1967/68. The unexpected bumper crop forced the market prices much below the guaranteed level.[73] The questions raised by surpluses go beyond the problem of supporting prices and the consequent drain on resources. The prospect of surpluses calls for the planning of buffer stocks,

[65] The cost of producing one ton of ammonia can be reduced by $6 by increasing the plant size from 33,000 to 66,000 tons capacity and by a further $5-6 per ton by expanding it to 200,000-250,000 tons or by about 15-20 per cent. UNIDO, *Fertilizer Manual*, 1967, p. 28.

[66] In the case of nitrogenous fertilizer, the important constraint may arise from the availability of electricity, coal, fuel oil, naphtha or natural gas. Many countries do not possess necessary minerals for the production of phosphate and potassium fertilizers. Thailand's resources of the required raw materials are negligible and potash reserves in Malaysia are known to be negligible. ECAFE, *Raw Material Resources for the Fertilizer Industry in Asia and the Far East* (Mineral Resources Development Series, No. 28); see also UNIDO, *Fertilizer Manual*, 1967, p. 27.

[67] The urgent need for the regular supply of properly graded and certified seed has not yet been adequately recognized in most of these countries, apparently due to the initial excitement, but this is going to present serious impediments to the achievement of yield potential. See Pakistan's case cited above. In the case of synthetic and hybrid seed, in fact, the exotic genes disappear after a few years of cultivation.

[68] For more details about such needs see FAO, *Indicative World Plan for Agricultural Development, op. cit.*

[69] ADB, *Asian Agricultural Survey* (1968), chapters 2 and 4, parts I and III. See also, FAO, *Indicative World Plan*, October 1968, *op. cit.*

[70] In India, for example, the support prices for rice, wheat and other cereals are based on the scarcity conditions which prevailed from 1965/66 to 1966/67. That these were high is demonstrated by a sharp decline in the prices of wheat after the record production in 1967/68. In some regions, the market prices came below the guaranteed prices, i.e., in Haryana, Punjab, Uttar Pradesh and Rajasthan which are also the major wheat-producing states. All efforts for subsequent reduction (in 1968/69) were fruitless, due to the strong lobby of the prosperous farming section in various states. Even the proposed reduction this year is rather small and may be by-passed through *ad hoc* decisions by the State Governments. See, Ministry of Food and Agriculture, Agriculture Price Commission, *Report for Kharif Cereals, 1969/70*. The Commission has recorded a reduction of 4-5 per cent in various states.

[71] The Budget Speech, 1969/70. The price is reduced from Rs 17 to Rs 15 per maund for wheat and is likely to be restored due to strong farm lobby.

[72] Reported by the representatives of the Philippines at the Development Decade Seminar, Bangkok, September 1969.

Table I-A-13. Selected ECAFE countries: Prices of rice, wheat, maize and fertilizers

(US cents per kg)

Country	Year	Crop	Wholesale prices	Support prices	Export prices		Fertilizer prices: Ammonium sulfate	Fertilizer prices: Urea	Ratio of fertilizer prices to wholesale prices
Ceylon[a]	1966	Rice[j]	17.8	13.7	16.6[k]	10.4[m]	22.4	15.9	1.26
	1967		17.6	11.0	22.2	12.0			
	1968		16.6	12.9	20.3	14.9[h]			
India[b]	1966	Rice	13.3	9.1–12.5			37.7[s]	28.7[s]	2.83
	1967		11.1	9.7–12.7					
	1968		15.9						
	1966	Wheat	11.6	7.2– 8.7	6.4[n]				
	1967		11.9	8.7 12.7	6.2				
	1968		11.4		5.9				
	1966	Maize	10.3	6.4– 6.9					
	1967		13.8	6.4– 7.73					
	1968		8.1						
Indonesia[c]	1967	Rice	12.6	n.a.					
	1968		15.6	n.a.				8.2	0.52
Malaysia, West[d]	1966	Rice	15.4	13.6			29.4[t]	25.5[t]	1.91
	1967		17.8	13.6					
Pakistan,[e] East	1966	Rice	18.7	11.1					
	1967		21.9	11.1			17.1	13.8	0.78
	1968		20.7	11.1					
West	1966	Rice	15.3	8.3					
	1967		22.2	9.7			21.7	21.9	0.98
	1968		27.9	11.1					
West	1966	Wheat	9.7	8.1					
	1967		13.8	9.4					
	1968		12.9	9.4					
West	1966	Maize	n.a.	8.1	5.1[p]	6.8[q]			
	1967		n.a.	8.1	4.6	8.0			
	1968		n.a.	8.1	4.1	6.7			
Philippines[f]	1966	Rice	16.5	10.2			35.8	—	2.17
	1967		17.6	10.2					
	1968		16.5[i]	10.2					
Thailand[g]	1966	Rice	9.4	6.8			27.9[u]	24.1[u]	2.97
	1967		10.6	7.1					
	1968		9.0	7.8					
	1966	Maize	5.4	3.9					
	1967		5.6	3.9					
	1968		4.7	3.9					

Sources: Asian Development Bank, *Asian Tables*, March 1969.
FAO, *Production Yearbook, 1967*.

Notes: [a] Reply to ECAFE Questionnaire on Agriculture, 1969.
[b] *Index Numbers of Wholesale Prices in India;* Department of Agriculture, Ministry of Food and Agriculture, *Report, 1967/68; Monthly Bulletin of Agricultural Economics and Statistics.*
[c] Indonesia, Department of Agriculture, *Facts and Figures*, 1969. Converted at Rp 137 per US dollar (1967) and Rp 326 per US dollar (1968).
[d] Department of Statistics, *Rice Statistics of West Malaysia, 1967;* Study Group on Grains, "National Grain Policy 1969—Malaysia" (mimeo.).
[e] *Economic Survey*, 1968/69.
[f] US, AID, *Economic and Engineering Study, op. cit.;* International Rice Research Institute, *Annual Report, 1968.*
[g] Bank of Thailand, *Monthly Report*, various issues.
[h] Average of 7 months.
[i] Average of 4 months.
[j] The decline was due to devaluation.
[k] Thailand.
[m] Burma.
[n] Australia.
[p] United States of America.
[q] United Arab Republic.
[s] 1965/66.
[t] 1961/62.
[u] 1964/65.

storage, disposal, crop diversification,[74] and regional co-operation in production and trade.

The prices of current and capital inputs into agriculture, notably fertilizer, pesticides and irrigation equipment, are subsidized in countries which have adopted the new strategy (e.g. Pakistan) as also in others that follow alternative strategies (e.g. Ceylon and Malaysia). The new technology demands relatively large quantities of some of these inputs and the subsidies accordingly imply a further budgetary burden. For developing Asian countries this effect on public resources may be as relevant to a judgement of the economic efficiency of these prices as is their effect on the relation between private and social costs of production. The problem of fertilizer subsidies is perhaps most critical for supporters of the new technology: subsidies for pump sets, for instance, may be justified whether or not high-yielding varieties are employed and, while present subsidies for pesticides may be a matter for debate, there are likely to be alternative and cheaper ways of providing plant protection e.g. on a communal basis or through public agencies. The high fertilizer requirement, however, is specific to the new technology and there may be no alternative ways of providing it which would reduce costs significantly.

Subsidies should affect costs as they appear to the farmer, and bring them in line with costs to the economy as a whole: this is their chief justification. The cost of credit to farmers may be kept uneconomically high by an imperfect organization of credit. Farmers, again, may overestimate the risks of cultivating high-yeilding varieties. In both cases, production costs to the farmer would be higher than to the economy and fertilizer subsidies may be the readiest instrument for correcting the farmers' vision. However judgements on subsidies must obviously be rough, and the judgements about the necessary level of subsidy differ between countries. The ratios between fertilizer prices and rice or paddy prices vary greatly between countries (table I-A-13) and India and the Philippines have removed subsidies while Pakistan intends to remove them gradually.

Mechanization of farming

Farm mechanization presents rather different problems from those of fertilizer policy. This is so because, within any one strategy of agricultural development or agricultural technology, there is a considerable range of alternative forms and intensities of mechanization, and also because farm mechanization has immediate social implications. Tractors, once they are bought, tend to replace labour even in seasons when labour is underemployed.

Cultivation of high-yielding varieties raises the demand for labour per hectare, and it rises further with the intensity of cropping. This additional demand normally arises at times of peak demand for labour when wages rise. The larger farm, of 30 ha or above according to Japanese experience,[75] may then find it profitable to substitute tractors for labour. This movement will exacerbate the existing agricultural dualism. It may not be absolutely avoidable in all places because the high wages reflect a real shortage of labour. Price and subsidy policies, including tariff policy and import licensing, may nevertheless make the substitution of machines for men and animals too cheap from the economy's point of view, and alternatives may be found, and encouraged by price adjustments, in the form of selective mechanization.[76] More specifically, this should allow machines to supplement labour at times when it is in short supply and may extend to processes such as weeding, harvesting, threshing and mechanical drying. The mechanization of fertilization and spraying may be necessary to assure high yields, and be socially profitable at any realistic level of wages. All these operations can be performed by simple tools and implements which may not require much foreign exchange. There exists, therefore, a type of mechanization that is complementary to the use of labour, rather than a substitute for it. Even weeding, a very labour-intensive process, may have to be partly mechanized, as this both benefits the agricultural labourers and saves imports of chemicals and spraying equipment.

"Tractorization", on the other hand, saves labour at times when labour is in excess supply: important labour-saving effects of "tractorization" occur in the preparation of land and the irrigation of fields.[77] In these processes, the labour requirement of the new varieties is not different from that of the local varieties. The costs of "tractorization" in most of the countries appear high from both the economic and the social points of view.[78]

[73] The problems of rice surplus currently faced by Japan point to the magnitude of the problem. High support prices have caused sharp increases in rice stocks. The prospect for exports are poor because of high prices and limited export demand for Japanese varieties. Faced with the problem of limiting production and marketing the existing rice surpluses, Japan is seeking to divert land from rice to other crops, to dispose of stocks by way of long-term rice loans to Korea (300,000 tons lent for 30 years), offers of rice to Indonesia and freezing of producer prices. *Bangkok Post,* 30 and 31 September 1969.

[74] H. Sikeo, "Lowland Rice and Upland Farming in Japan", Central Agricultural Experimental Station, Tokyo, 1966.

[75] Except where labour is in acute shortage or where mechanization leads to sharp increase in cropping intensity and diversification with its concomitant demand for labour. This happens where there is an acute shortage of land, such as in Taiwan. See FAO, *State of Food and Agriculture, 1968,* p. 95.

[76] As much as 77 per cent of the working hours of even small tractors (of 10 h.p.) and middle-sized farms of 10-20 acres is accounted for by land preparation and irrigation. See A. S. Kahlon and A. C. Sharma, "Pattern of Mechanization for 10-20 Acre Farms in Ludhiyana District", *Agricultural Situation in India,* February 1969.

[77] See S. R. Bose and E. H. Clark, "Some Basic Considerations of Agricultural Mechanization in West Pakistan", November 1968, Pakistan Institute of Development (mimeo.); and H. Kaneda, "Economic Implications of the 'Green Revolution'," and "The Strategy for Agricultural Development in West Pakistan", *Pakistan Development Review,* Vol. IX, No. 2, Summer 1969.

Nevertheless, existing prices of grains and machinery in Ceylon, Pakistan and some states of India, favour the use of tractors and custom-servicing practices (services on hire) allowing high profits and rapid recovery of capital. The concessional pricing of tractors may require reconsideration in the light of alternative mechanical methods of easing seasonal labour scarcity.

Credit and resource mobilization

Further problems of the new strategy will only be described briefly because their treatment at this time is bound to be highly speculative.

The first of these is rural credit. The new strategy reinforces the traditional case for measures to reduce the exorbitant rates charged by non-institutional lenders. This may require the intervention of agricultural banks as competitors with money-lenders or an attempt to organize the money-lenders and thus draw them into the organized market. The provision of institutional credit at rates lower than those for similar loans in the non-agricultural sector could be justified, however, on grounds of equity and increased agricultural production. The existing organization of commercial bank credit favours the wealthier class of farmers which would also benefit from cheap credit.

Larger credit than hitherto should, in principle, be provided to smallholders whose output per unit of land is higher than that of large holdings.

As in the case of cheap credit, so also in that of other subsidized inputs, the distribution of resources to different classes of farmers needs to be considered: the organization available for distribution of such resources cannot always be relied on to work without discrimination. In addition, the public resources position is affected by such policies. It is a common experience that the contribution of the agricultural sector to the public exchequer is not rising in step with agricultural incomes. This failure of the agricultural sector to contribute its share to general development has been attenuated somewhat with the advent of the new techniques which appear to be attracting savings into minor irrigation, other productive construction[79] and selective mechanization, thus benefiting the agricultural sector and lightening the tasks of development financing.

For the rest, the gradual removal of subsidies appears to be the most obvious method of reducing the flow of resources to agriculture. The resulting contribution to budgetary resources will differ from country to country: it would be sizeable in Pakistan, Ceylon or Malaysia, but not in India. The incentive effect of subsidies would of course be lost, and this result will be reinforced if taxes are imposed on inputs. It is quite true that taxes on fertilizer mainly affect the incomes of the larger farmers, but, at the same time, they are also likely to deter the small farmer whose resource position is weak. It is not yet clear to what extent small farmers have been lagging behind the large farmers in adopting the new technology.[80] A rise in fertilizer prices may lead small farmers to economize in fertilizer application to the point where local varieties compare favourably with the new varieties, with a consequent check on the spread of the latter. This raises the question of how to discriminate in resource policy between farmers, according to their resource position, other than by land and other direct taxes. In the Philippines, fertilizer is supplied through co-operatives at lower prices than in the market. If co-operatives provide fertilizer for small farmers, this dual pricing will attain its objective. Dual pricing of fertilizers may be reinforced by cheap credit to small farmers and the use of co-operatives for this purpose has been widely attempted, with varied results.

Changes in agrarian structure

It is too early for an assessment of the way in which improved techniques and larger yields are affecting agrarian structures. The evidence is conflicting. It should be stated that the proportions of tenancy and share-cropping tend to be high in the relatively fertile regions which are also the most suitable for the cultivation of the new varieties.

In Central Luzon in the Philippines, the cultivation IR-8 seems to have been associated with a partial resumption of land by non-cultivating and semi-cultivating landlords, and also with full resumption, renting-in and land purchases by landlords interested in capitalist farming. Specialized managerial firms which offer to utilize the yield potential of the new varieties for the benefit of both landlord and tenant have also emerged. Central Luzon has the highest tenancy rates (50-70 per cent) in the Philippines.

In the Punjab, tendencies to capitalist farming have been noticed in farms of above 10 hectares,[81] resulting in the eviction of tenants, large-scale land transfer through purchases and increases in land rented-in. Simultaneously, the demand for land has

[78] In the Punjab in India, tubewell construction took place at a rapid rate, mostly on private account. (Ministry of Food and Agriculture, *Working Group on HYV, for the Fourth Plan*, December 1968; *Fourth Five-Year Plan, 1969-74* (draft).

[79] In India, contrasting tendencies are observed. See S. Sen Gupta, M. G. Ghosh, "HYVP for Rice, Performance in Bengal District", *"Economic and Political Weekly*, October 1968; Ministry of Food and Agriculture, *Report, 1967-68*, pp. 94-102; and G. S. Lavania and R. S. Dixit, "Economics of HYV in Package District, Aligarh", *Indian Journal of Agricultural Economics*, October-December 1968.

[80] Wolf Ladejinsky, *op. cit.*, p. A79.

grown sharply and values of land and land rent have risen to very high levels.[82] Tenancy rates seem to have grown in holdings below 10 hectaries.[83]

The latter tendency is confirmed by the increase in tenancy rates in the central plain of Thailand in the wake of growing yields,[84] and in Malaysia in areas where double-cropping has spread rapidly. It has been found in connexion with the cultivation of high-yielding varieties on the rented-in land in a district of West Bengal;[85] growing social tensions are reflected in the peasants' demand for reduction in land rents and resistance against landlords in Andra Pradesh in India.

The pressure of population on arable land tends to reduce the size of holdings, increase the number of landless agricultural labourers and raise the demand for land for what is basically subsistence farming, thus raising rents. Some subsistence farmers may sell their land and join the landless labourers to earn high money wages. Demand for land will come from profit-conscious farmers with marketable surpluses but with less land than is warranted by their managerial and other resources. The increase in demand for land will be met by the big farmers who own large areas and account for a large proportion of land in the total area[86] (table I-A-14). Such farmers may keep land for their cultivation to the extent that it can be optimally managed, yielding operational earnings including profits and imputed rents above the market rent, and then let out the rest. This type of development is more likely than a full transition to commercialized or capitalist farming, particularly in rice culture where economies of scale in the cultivation with modern inputs appear to be negligible. On balance increases in tenancy may more than offset the eviction of tenants by landlords.[87]

It is thus likely that the distribution of ownership holdings may become more unequal and the unevenness of the distribution of "operational" holdings may decline, reflecting a bi-polarization of farming, with farms of optimal operational size (about 5-10 hectares) at one pole and capitalist farms at the other. The resulting divergence in the distribution of ownership and operational holdings is capable of affecting the realization of the productivity potential. Institutional reforms may therefore again claim priority. Tenancy and share-cropping arrangements will have to be made more rational through the control and reduction of rent and crop share and the safeguarding of tenants.

[81] "Rents having moved up from 50-50 to 70-30 per cent of the crop in favour of the owner or Rs 500 to Rs 750 per acre where the arrangement is in cash", and "Land sold five years ago at Rs 2,000-3,000 or 5,000 per acre sells presently at Rs 10,000-12,000 or 15,000". *Ibid.*, pp. A75 and A77.

[82] *Ibid.*, p. A77.

[83] Ishikawa, *op. cit.*

[84] Sen Gupta and Ghosh, *Economic and Political Weekly*, October 1968, *op. cit.*

[85] In Ceylon, about one per cent of holdings (above 10 hectares) accounted for some 40 per cent of the total area; in India, 5 per cent of holdings accounted for 31 per cent; in Pakistan, 3 per cent of holdings above 20 hectares accounted for 31 per cent; (in West Pakistan, 7 per cent and 43 per cent respectively); in Thailand, 5 per cent of holdings (over 10 hectares) accounted for 22 per cent of total area. Considering the conditions of rice culture, an area above 5 hectares may be much above the optimal operational level.

[86] Existing land reform legislation contains many loopholes; e.g. a landlord may evict tenants if the land so resumed is for his personal cultivation.

Table I-A-14. Selected ECAFE countries: Percentage distribution of land holdings by size class

Size of land holding (ha)	Ceylon[a]		India[b]		Indonesia[c]		West Malaysia[d]		Pakistan[e]		East Pakistan[e]		West Pakistan[e]		Philippines[f]		Thailand[g]	
	No.	Area	No.	Area	No.	Area	No.	Area	No.	Area	No.	Area	No.	Area	No.	Area	No.	Area
Below 2.02 .	84.79	31.74	62.96	18.88	88.30	51.40	66.49	45.40	68.60	19.60	79.10	42.60	56.80	9.50	26.63	8.49	47.90	15.50
2.02– 4.05 .	10.94	18.27	18.85	19.95	7.90	19.80	24.82	36.80							44.83	36.16	27.50	26.60
4.05–10.12 .	3.10	11.36	13.45	30.47	3.00	16.20	8.09	16.31	28.00	49.30	20.50	52.60	36.40	47.80	26.99	43.74	19.20	35.60
10.12–20.23 .	0.69	5.62	3.67	18.52	0.50	6.90[h]									1.28	4.61	5.10	18.60
20.23 and above	0.49	33.01	1.07	12.18	0.20	5.60[h]	0.60	1.49	3.40	31.10	0.40	4.80	6.80	42.70	0.27	7.00	0.30	3.70
	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Sources: [a] Reply to ECAFE Questionnaire on Agriculture, 1969; vide Census of Agriculture, 1962.
[b] *The National Sample Survey, Agricultural Holdings in Rural India, 16th Round, July 1961* (No. 113), p. 21.
[c] Central Bureau of Statistics, Census of Agriculture, *Farm Agriculture 1963*, 1967.
[d] Papers presented at the Rice Symposium, Agricultural Institute of Malaysia, August 1969; 1960 Census of Agriculture May 1962.
[e] FAO, *Report on the 1960 World Census of Agriculture*, Vol. I, Part A, 1966.
[f] Bureau of the Census and Statistics, Census of the Philippines 1960, *Agriculture*, p. 43.
[g] FAO, *Report on the 1960 World Census of Agriculture;* size groups (hectares): under 2.4; 2.4-4.8; 4.8-9.6; 9.6-22.4; 22.4 and above.
[h] Including large estate sector which is mostly state-owned.

Note: The size classes are not similar in all cases; the attempt has been made to give them a comparable form.

Chapter V

GENERAL DIRECTIONS AND CHOICES IN THE STRATEGY FOR AGRICULTURAL DEVELOPMENT

The survey of policies and the catalogue of problems in the preceding chapters offer insufficient grounds for convincing recommendations. This insufficiency of evidence is in fact characteristic of the present agricultural situation in many of the countries which are pursuing new directions in their agricultural development. All that can be done is, firstly, to specify the general directions of policy which are widely recognized as desirable and which now appear as worthy tasks; and, secondly to describe the policy alternatives which appear to be open to countries at this time.

General directions of policy

The most obvious and most widely relevant requirements of agricultural development in the present state of advanced technical opportunity relate to crop-balance policy, irrigation and institutional reform. The need for action on these three matters is the more urgent the greater the reliance that has already been placed on the new technology. In addition, generally valid alternatives of national agricultural policy exist at the level of technology, in the choice between existing varieties and their associated input requirements and in the direction to be given to biological research.

The need for creating a deliberate balance in the production and the economic inducement of different crops follows from the widespread bias of agricultural strategies in favour of food crops, and especially cereals. A form of agricultural planning is unavoidable if a balance is to be attained. In practice this may well mean policies to encourage crop diversification, possibly linked to the pace at which grain production grows, and a change in the balance of agronomic research.

The need for a new strategy for irrigation partly follows from the decision to adopt high-yielding varieties and partly from the need to open known alternatives of agricultural growth. Irrigation policy has to answer several well-established needs:

(a) the need for augmenting available water supplies in existing major and medium projects so as to keep their command areas (areas covered by the projects) unaffected by the heavy water requirements of the new technology and of double-cropping, and to re-equip them so as to improve control and regulation of distribution;

(b) the need to shorten distances between existing water courses (preferably to 100-200 metres), and for field channels and drains, whether constructed by the government or by farmers;

(c) the exploitation of ground water resources for which a large potential exists in many countries, even in the command areas of major and medium irrigation projects, and which yield faster than the bigger projects;[1]

(d) the repair and maintenance of existing irrigation facilities, likely to result in substantial immediate gains through the reduction of water losses,[2] and

(e) the planning and co-ordinated execution of new projects, major and medium, with the accent on greater control and regulation of water supplies as required for multiple-cropping.

The case of institutional reform is based on equity and on considerations of efficiency. It is particularly strong in areas in which the new technology, including cultivation with high-yielding varieties, is being adopted without reservations. The need to prepare a wide field for agricultural advance increases as the new methods succeed in the areas chosen initially as technically and economically (that is, institutionally) suitable. It needs to be met by reduction in the effective rates of interest, either through the development of financial intermediaries or through state intervention in the distribution of inputs, and by working towards a distribution of land which will convert the institutions of tenancy to economic requirements.

The broadest field for choice continues to exist in agricultural technique. The alternatives may be expressed in terms of different types of plant varieties since the other elements of different techniques are largely tied to the varieties. In countries which have based their agricultural policy on the cultivation of

[1] In Ceylon, for example, the estimated rate of return on low-lift pumps is about 25 per cent. See also Ishikawa, "A Study of Agricultural Development Strategies", prepared for Asian Development Bank, *op. cit.*, and *Economic Development in Asian Perspective*, 1967; Takase and Kano, "Development Strategy of Irrigation and Drainage", *Asian Agricultural Survey, op. cit.*

[2] For India, B. S. Minhas estimated such losses to be of the order of 40 per cent. See "Water Requirements of Crops and Efficiency of Irrigation Water in India", India Statistical Institute, discussion paper No. 24, August 1967. In Indonesia, also, the potential for augmenting water supplies by this method is very large.

the new high-yielding varieties, the major policy alternative is a more gradual transition to high yields. Such an alternative exists in the areas that are at present judged suitable for the high-yielding varieties and in the rest of the area which needs to be brought into the scope of technical progress by means of improvements in the irrigation system and institutional reform. A gradual transition to high-yielding varieties involves the selection of varieties which do not demand as sharp a jump in input requirements as is implied in the cultivation of IR-8. The alternative seems realistic. There already exist high-yielding and non-photo-sensitive varieties which give fairly high increases in yield at moderate input requirements and it seems certain that more can be developed.

A comparison of different rice varieties (table I-A-15), for instance, indicates alternatives differing much more in their associated input requirements, especially fertilizer requirements, than in their yields. Table I-A-15 presents four, roughly distinct, plant types. The first type represents the traditional *indica* varieties; the second includes the improved *indicas* with higher yield and marginal fertilizer responsiveness, but lacking the revolutionary characteristics of the high-yielding varieties. The third type offers most of the characteristics of the new high-yielding varieties but requires lesser doses of fertilizer. The fourth type includes the so-called "miracle" varieties which have an extremely high yield potential but need massive doses of fertilizer.

The fertilizer requirements of the third type varieties—*Padi Bahagia* of Malaysia, ADT-27 of India and 56-1-2 (Lt x IR-8) of Thailand—are about half those of IR-8 or TN-1. These varieties possess a high yield potential, non-photo-sensitivity and fertilizer-responsiveness, besides being relatively more resistant to diseases than the new high-yielding varieties and having better grain quality.

The data in table I-A-15 record performance under experimental conditions and farm performance need not be proportional to these. It cannot be suggested that any particular variety is capable of being simply transplanted from the area of origin to another; but the comparisons indicate the possibility of developing varieties with such a range of characteristics. The smaller fertilizer requirement of the third type varieties would allow a wider application within a country, on account of both the aggregate cost of fertilizer and the lesser outlay requirements for the farmer. Th s alternative would, however, require an acceleration of irrigation development and of institutional reforms.

Table I-A-15. Selected ECAFE countries: Yield potential and other technical characteristics of certain rice varieties (experimental conditions)

	Yield (ton/ha)	*Fertilizer required (nitrogen) (kg/ha)*	*Maturation (days)*	*Height (cm)*	*Photo-sensitive*	*Grain size (cm)*	*Grain quality*	*Disease resistance*
Traditional indicas I								
Leung Toang (Thailand)	2.5	10–15	135	135	yes	7.2 × 2.3	very good	slightly susceptible[a]
FK-178-A (Philippines)	3.9[b]	10–15	157	150	yes	coarse long	very good	slightly susceptible
Improved indicas II								
Peta (Indonesia) . . .	3.5–4.0	30	140	135–140	yes	n.a.	good	not much
Padi Mahsuri (Malaysia)	3.9	45–90	135–140	90–100	slight	7.7 × 2.5	good	good
Padi Malinja (Malaysia)	3.8	50	130–135	110	very little	9.3 × 2.5	good	good
High yielding varieties III (A)								
H4 (Ceylon)	6.7	90	120–125	130–140	yes	n.a.	good	good
ADT-27[c] (India) . .	5.0	70–80	105	medium	slight	n.a.	good	good
LT × IR8[d] (Thailand) .	4.4	82	127	95–105	yes	7.1 × 2.1	good	good
Padi Bahagia (Malaysia)	5.0	84	137–140	110–115	non-sensitive	9.95 × 2.5	good	high
C4-63 (Philippines) . .	4.3	80	126	105	non-sensitive	fine	good	good
High yielding varieties IV (B)								
IR-5 (Philippines) . .	6.1	120–130	130–145	120–130	non-sensitive	6.4 × 2.6	fair	susceptible
IR-8 (Philippines) . .	7.0	120–130	120–130	90	non-sensitive	6.4 × 2.7	poor	very susceptible

Sources: Thailand: Rice Department, Bangkok.
Philippines: Esteban C. Cada, "The New Varieties for Increased Production", College of Agriculture: FK-178-A and C4-63; IRRI report, January 1968: IR-5 and IR-8.
Indonesia: IRRI reports.
Malaysia: Department of Agriculture, Kuala Lumpur.
Ceylon: Reply to the ECAFE Questionnaire on Agriculture, 1969.
India: *Economic and Political Weekly*, Annual Number, 1969 and other sources.

Notes: [a] To lodging and virus disease.
[b] It performs well during the wet season at low doses of fertilizer.
[c] A cross between NORIN-8 (japonica) and GEB (indica).
[d] Plots at Bangkhen during the 1969 wet season; at other places it has been reported to mature in 120-135 days.

Altogether, such an alternative approach would permit the spread of given resources over a larger area without sacrificing much of the increase in agricultural productivity which is implicit in the high-yielding varieties. The problem of the remaining dry areas would nevertheless still remain. It is difficult to state how the average productivity of these remaining areas would be affected as a result of the spread of the new varieties. Increases in the productivity of these areas is desirable and may perhaps be achieved through the use of local resources (particularly inorganic manure) and the surplus and displaced labour and draught animals resulting from mechanization.

Summary: Directions and Alternatives in National Policies

Countries following variants of the new strategy
India

There appear to be long-term prospects for foodgrain surpluses in India if the expansion of output is pressed. The area under high-yielding varieties has expanded rapidly but results are only clearly encouraging in the case of wheat: wheat production rose steeply in 1967/67 and the high levels of that year were maintained in spite of drought during the spring harvest of 1968/69. Wheat, however, is only a small part of the total production or consumption of foodgrains. In the continuing process of promoting the production of foodgrains, the major alternative appears to be the development, with the help of India's very advanced agricultural research organization, of varieties which combine relatively good yields with moderate input requirements, such as the third type varieties in table I-A-15. This would lessen the resource requirements at the national level and on the farm, and thus widen the area over which productivity can be raised: itself an important consideration if agricultural growth is to continue in the longer run. Incentive policies would at the same time have to be redesigned so as to lessen the foodgrain bias of the accepted agricultural strategy.

The intensity of incentive policies is determined in part by the size of the output target, and this is influenced by the desired size of the Indian buffer stocks. An obvious task of policy is to review the objectives and cost implications of buffer stocks. To the extent that the objective is price stabilization, the success of the new techniques may allow a reduction in the size of the present target and, together with this, a scaling-down of the large fixed investments in storage facilities which stocking requires.

Under the head of incentive policies, it may be found necessary to lessen the rigidity of support prices. Support prices may have to be aligned with the cost of production rather than stay at the high levels reached during scarcity conditions. Simultaneously, the prices of fertilizers will have to be manipulated so that relative prices do not become too adverse. The relative prices of fertilizers are already among the highest in the countries under review. Under the uncertain conditions of fertilizer supplies, a transfer of the responsibility for distribution of fertilizers to the private sector may, in fact, force up prices. This could, in principle, be counteracted by a partial control on fertilizer distribution, such as is being planned now by way of compulsory contributions from the production of private factories to the Central Fertilizer Pool which also absorbs imported fertilizer. Recent government measures to tax fertilizers and reduce support prices tend to discourage the use of fertilizer. The small farmers may be particularly sensitive to these measures unless protected by discriminating policies such as were outlined in chapter 4.

As in other countries which have based their agricultural strategy on the highest-yielding varieties, problems of the distribution of agricultural income intermingle with the problem of resource mobilization for the economy and for the agricultural sector itself. The recovery of some of the profits earned by large farmers benefiting from the new strategy may seem justified on the score of both income distribution and resource policy, but it is very difficult to accomplish. Where capitalist-type farming has developed, profits are being ploughed back into agriculture.[3] Incentives for investment in tubewells and in water channels and distribution facilities may lead to a further recapture of gains. Public sharing in the cost of investment by small farmers might expand the exploitation of agricultural progress for agricultural investment. As regards large farmers, taxation cannot be avoided in the long run if agricultural progress is to be tapped for wider development. Direct taxation of agricultural land is regressive and has a low yield. There is thus an interest in a graduated land tax, in a wealth tax of wide coverage and in the rationalization of water rates. Excise duties on fertilizer may affect the larger farmers in the first instance, but they will militate later on against the spread of new techniques, unless immediately accompanied by the provision of cheap credit to small farmers.

Indonesia

Rice production under the different BIMAS "package" programmes has increased considerably since the inception of the policy in 1965. The package consists of seeds, manufactured inputs and cash, all

[3] There is some evidence that additional incomes are also being used to extend credit to small farmers, depressing the market rates of interest. Field data collected by the Programme Evaluation Organization suggest that "farmers having more than three 5-6 hectares of operational holdings have also started extending assistance to the small farmers in the vicinity, charging only a fair rate of interest". P. K. Mukherjee, "Institutional Framework of Agricultural Production in the ECAFE Region", Fifth Inter-Regional Seminar on Development Planning, Bangkok, September 1969.

provided largely on credit. The new high-yielding varieties, IR-8 and IR-5 under the BIMAS BARU schemes began to be introduced in 1968 and have raised yields significantly. The constraints on food-grain production are all on the supply side; demand for food is likely to continue buoyant throughout the foreseeable future. These constraints are, on the one hand, due to the limitation on the supply of fertilizer and water and, on the other hand, to the scope of agricultural extension work, the organization of production and supply and the credit situation. The decline in additions to yields which has recently been noticed under the BIMAS schemes, particularly in Java, points to some of these bottlenecks. Population pressure on the land, the associated small size of holdings, the deterioration of the irrigation system and the inclusion of unsuitable areas in the programme have been suggested as explanations of this deceleration of yields. The tendency may possibly be reversed by transferring the programmes to other areas and by longer-term measures of resettlement and the rehabilitation of irrigation. It raises the question of the cost to the economy of the inputs required by the high-yielding varieties on which the programmes turn. The development of intermediate types of varieties, with lower input requirements, may thus be numbered among the policy alternatives in Indonesia also.

The stagnation of cash crops in Indonesia argues for widening the scope of policy and of varietal development to include other crops as well.

However great the emphasis that is put on the extension of credit, it appears inadequate. One of the major schemes, BIMAS GOTONG ROJONG, placed the responsibility for organizing and managing the cultivation projects in the hands of private companies. Under the initial agreements, the companies were responsible for the provision of all inputs in kind and of subsistence allowances to the farmers in stipulated areas. In return, the foreign companies received a fixed payment in foreign exchange.[4] Recently, the function of the firms was limited to the provision and spraying of plant protection chemicals. The Government is aware of the need to examine the question of whether this type of organization can be a substitute for the still very inadequate extension services, and whether the costs of the earlier arrangements were justifiable from an economical point of view.

[4] The first contract with CIBA was for covering 300,000 hectares of land at a cost of $40 and $54 per hectare with and without new seed respectively. Contracts with four more companies were based on similar principles. The performance of company-managed areas, however, was much below expectations (estimated at about 40-45 per cent). Now it appears that government agencies have taken over all functions except procurement of plant protection materials and spraying which are performed by the companies for $16 and $21 per hectare respectively in foreign exchange.

The impact of changing relative prices of fertilizer and rice on the intensity of adoption of various packages is critical. The low ratio of fertilizer to paddy prices clearly favours the application of fertilizers, possibly to a wasteful extent. It appears that fertilizer is cheaper in Indonesia than in any of the other countries studied. While fertilizer prices are controlled, the prices of rice have shown a rising tendency and this makes the relative prices more favourable to the use of fertilizer and may even lead to wastages. This suggests the need for a mechanism to adjust fertilizer prices to the changes in the rice prices. Most of the fertilizer is imported, although the country could produce enough fertilizer to fulfil the needs of a large part of the entire region.

Even though rice prices have tended upwards, fears of sharp falls may be more real now than before when reductions in rice prices were unlikely in the conditions of galloping inflation that prevailed between 1950 and 1966. There is thus a need for a procurement organization which is broader in scope and furni hed with larger powers and funds than those possessed by the government procurement agency, BULOG. BULOG's inability to function effectively has recently led to fluctuations in rice prices.

Finally, while the schemes in their original design placed much stress on the position of smallholders and paddy peasants, the organization of the BIMAS programmes may appear to some extent to favour the larger farmers. Lending, furthermore, is on the security of land and thus excludes tenants and share-croppers. In Indonesia, as elsewhere, the new technology will require close scrutiny of such problems.

Pakistan

The general directions of policy in East Pakistan are determined by the present conditions of its essentially rain-fed cultivation. The dissemination of the new rice varieties (IR-8) is impeded by inadequate irrigation facilities and poor water control, by the high incidence of crop damage from floods and by the susceptibility of the new varieties to diseases. The development of irrigation and flood control, and the further development of low-lift irrigation to improve water control, are thus preconditions for the spread of the new high-productivity techniques to East Pakistan. The task includes a systematic appraisal of the water table so as to determine the prospects of minor irrigation. Under controlled irrigation, IR-8 appears to have been successfully cultivated, and the East Pakistan Plan aims at doubling its acreage (to 700 thousand acres) between 1968/69 and 1969/70.

The development of fertilizer-economizing varieties of relatively high yield may ease the acceptance of new methods on the small farms, apart from corresponding with the limitations on supply. The

conditions of high demand (which reduce somewhat the importance of grain quality) may lead to changes in the cropping structure, at the expense of jute. This tendency would be checked by a rise in productivity. For the time being, the price level and the food situation can presumably be controlled on the basis of the success of wheat and rice cultivation in West Pakistan. In the longer run, agricultural progress would be needed to reduce the disparity in incomes between the two provinces and to economize on transportation.

While the technological 'package' approach to agricultural development, involving the highest-yielding new varieties and their required inputs does not, at present, seem to be the only approach for East Pakistan, incentives in the form of substantial price supports and input subsidies will continue to be necessary. In addition, there continues to be a need for developing the distribution of agricultural inputs and credit, particularly to small farmers.[5] The small size of holdings may argue for the development of some form of communal cultivation. A reduction of the crop shares transferred to landlords, increased participation of landlords in the risks of a more expensive cultivation, and wider education of farmers,[6] appear to be the natural auxiliaries to increasing productivity in East Pakistan's foodgrain sector.

The current problems of West Pakistan's agricultural policy, on the other hand, arise in the context of the great successes of wheat and rice production. The increases of output appear to reflect the impact of the new varieties. They have brought that province close to self-sufficiency and, in wheat, face to face with the prospect of surpluses. The recently observed levelling-off of the growth of yields may be overcome by the expansion of irrigation facilities that are in hand, and by improvements in the flow of high-grade seed to the farmers.

In those circumstances, the most interesting alternatives are in the determination of the future growth rate of different crops. Wheat prices are high and the grain is, by and large, of middling quality. The export prospects are further qualified by the improving supply position of traditional importers,[7] and by the growing stocks in the main exporting areas. While the foodgrain deficit of the province of East Pakistan will help to absorb increases in production in West Pakistan (especially of rice), the issue of crop diversification as against the development of grain exports has to be faced. It appears the more pressing as the profitability of wheat and rice tends to affect cash crops such as cotton and sugar.

Support-price policy demands a decision as to whether exports or diversification is to be preferred. The support prices for wheat and maize appear to place a significant burden on the budget, though the position of East Pakistan may argue against reductions in support prices for rice. The pricing of inputs is a second dimension of price policy. The withdrawal of fertilizer subsidies is under discussion[8] and the risk of future fluctuations in the price of fertilizer may be controlled by buffer stocking. Price incentives may nevertheless continue to offer a lever for improving the balance between different types of fertilizer. The subsidies on plant protection materials may be easier to withdraw if technically superior forms of community application can be introduced.

The condition of wheat farmers in the dry areas, and the changes in the agrarian structure which are likely to result from the cultivation of the new varieties, further strengthen the case for agrarian institutional reforms.

Philippines

The policy alternatives which appear to be facing the Philippines arise from the success achieved in the cultivation of rice. The level of output achieved or expected in 1967, 1968 and 1969, when compared with the output of earlier sequences of good and bad agricultural years, reflects the successful exploitation of the technical breakthrough which starts with the development of the new high-yielding varieties.

The directions of policy are clear as regards the need for improving the quality of grain. This itself may be helped by the development of varieties of the third type (table I-A-14) which offer relatively high yield for lesser volumes of inputs than those required by the varieties IR-8 or IR-5. A movement towards fertilizer economy seems indicated, not only by the general consideration of farmer access to the new techniques, but also by the still unsolved difficulties of fertilizer production in the Philippines. The technical potential for this production seems high but imports continue to co-exist with excess capacity (of about 70 per cent in 1968) in domestic factories.

Given the continuation of the growth of rice production, as in recent years, based on the expansion of credit to farmers, extension work and the maintenance of high guaranteed prices, the Philippines may face difficult problems. These so-called second-generation problems include the demand for drying, transport, milling, market and storage facilities. The size of the facilities will depend primarily on the size of buffer stocks and exports.[9]

[5] The policies designed to this end in Pakistan include (1) additional powers to village officials for sanctioning loans; (2) an abbreviated procedure for granting loans and (3) a fixed minimum credit for fertilizer in use.

[6] M. B. A. Zaidi, *The Relative Efficiency of Capital in Certain Agricultural Investments in West Pakistan*, Karachi, 1967.

[7] Export prospects are discussed in A. P. Hasan, *Export Market for Foodgrains*, December 1968.

[8] Planning Commission, *Guidelines for the Fourth Plan: The Agricultural Sector*.

[9] Allowing 10 per cent for buffer stocks, i.e. about 0.6 million tons, the export surplus in 1968/69 is estimated at about 0.678 million tons of paddy: existing milling facilities are unable to obtain better than 40 per cent broken compared with lowest-quality rice, internationally traded, of 20-25 per cent broken.

The principal choice that may have to be faced in the Philippines is between building up rice exports and diversifying agriculture. Even though the Philippines appears to enjoy a comparative advantage in the production of rice[10] there are factors which qualify export prospects. In particular, the quality of rice will assume increasing importance as production of rice expands in several countries, among them traditional rice importers. It appears, for example, that, taking quality into account, the possession of a comparative advantage vis-à-vis Thailand is more than doubtful. Pending the qualitative improvement of Philippines rice, exports would presumably have to be based on low prices. The export price of IR-8, for example, which sells at present at 30 per cent below local Philippines varieties, would need to be lowered. The cost of inputs is unlikely to decline, if demand is further expanded, and support prices would thus have to be maintained at their present levels. Recently, these prices have been comparable with the international price of rice and are, indeed, among the lowest prices in the main producing countries,[11] but, if the international price for varieties available from the Philippines were to decline, the necessary budgetary operation would become correspondingly more difficult. In addition, of course, the margin of advantage of rice production for exports over the production of alternative crops would narrow.

The alternative may thus be sought in the expansion of maize production, (ultimately, one hopes, on the basis of improved seed), for which the growing livestock industry offers a market, and in increases in the production of sugarcane, tobacco, legumes, fruit and vegetables (which can be grown as second crops and would be important savers of foreign exchange).

While the second choice would require a readjustment of prices and allocation policies, it would not affect the obvious objectives in the field of irrigation. Minor irrigation works appear to be expanding rapidly but there seems to be insufficient knowledge about the ground water potential and the water table. The co-ordinated development of surface and ground water development through associated administrative agencies appears to demand a high priority.

Lastly, the direction of institutional reform remains similarly unaffected by the choice between alternative output patterns. In this area, the Philippines has some lessons to offer, as for example, in the stress laid on the staged process of land reform. In the first stage, rent in cash is set at no more than 25 per cent of the output, and leaseholder status is given to the tenant farmer. This is followed by turning leaseholders into owner-cultivators through purchases of land from the landlord. Progress in the second stage has been slow though available evidence suggests that it was quite satisfactory in the first stage.[12] The slow progress in the second stage has been mainly the result of lack of funds. Sketchy evidence suggests that large numbers of leaseholders covered by the reforms had to enter into share-cropping arrangements with their former landlords. Such tendencies can only be corrected through the provision of institutional credit. The difficult budgetary position, and the problems encountered in the recovery of loans and other charges,[13] present further obstacles to institutional and organizational transformation such as is needed to widen the area of impact of agricultural advances.

Countries following alternative strategies

The three countries in this study which follow alternatives to the socalled new strategy find themselves in very different circumstances but have in common a relatively high dependence on agricultural export production which has to enter into the design of their general agricultural policy as well as their grain policy.

Thailand, as a major rice exporter, has to consider the quality of rice and the future export position in framing its policy for the rice sector. With increasing production in traditional importing markets, heavy surpluses in Japan and elsewhere outside developing Asia, and the possibility of weakening prices, increases in productivity are required to maintain the profitability of rice production. A high rate of population growth will continue to raise internal demand. Beyond this, the extent to which rice production is to increase on the basis of improved productivity, and the extent to which resources are to be diverted into alternative crops, presents a major choice. Thailand's policy envisages large increases of productivity as a result of improvements in irrigation (notably the Chao Phaya River Project) and flood control.[14] The control of virus diseases to which

[10] FAO, Study Group on International Action on Rice, "The Philippines Position", 13th Session, March 1968: "According to detailed studies by the RCPCC, cost of production on large-scale farms producing the high-yielding varieties ranges from $74 to $110 per metric ton of milled rice f.o.b. Manila port. This may be compared with the current world market price of Thai milled rice of about $165 at the end of January 1969". (Vol. I, p. 38).

[11] *Ibid.*

[12] For example, 70 per cent of the land in Central Luzon has been declared "land reform areas", this being the first step of the first stage.

[13] For example, outstanding debts rose from 237.7 million pesos in December 1967 to 475.8 million pesos in December 1968 and further to 570 million pesos in the early part of 1969.

[14] The benefits from the Greater Chao Phaya Project have not yet begun to materialize. This project aims at better irrigation facilities in both the wet and dry seasons and flood control which will substantially reduce the damage to paddy crops and permit double-cropping. These measures would increase yields substantially by reducing yearly output fluctuations and permitting the use of modern inputs. See FAO/UNDP, *Survey Mission for the Chao Phaya Delta*, April 1968.

Thai *indica* rice varieties are highly susceptible,[15] and pure-line selection from the local varieties offering high yields with moderate doses of fertilizer,[16] promise further additions to yield. In the absence of evidence of the introduction of the new technology of high-yielding varieties, there appears to be a clear case for institutional reforms to check the growth of tenancy and safeguard the smaller farmers.[17]

Malaysia's policy seems to be based on laying the foundations for productivity growth in grains by extending and improving irrigation and by developing varieties of relatively high yield which will allow technical progress in cultivation without sharp discontinuity of required practices. The policy regarding varieties is reflected in the emphasis placed on the cultivation of *Mahsuri*, the improved *indica* for normal cultivation, and *Bahagia*, the locally selected new high-yielding and quick-maturing variety for double-cropping.[18] In irrigation, there is a corresponding emphasis on projects which will allow double-cropping, but as yet no strong drive to exploit ground water resources which may exist in the deltaic regions and in the command areas of the major projects under construction.

Land reform, in the shape of the Paddy Cultivators Control of Rent and Security of Tenure Act, 1967, has to cope with conditions that have long remained unremedied. About half of all paddy farmers are full or part tenants. If rising tendencies of tenancy rates, rents and land prices, such as have been seen in the central plain of Thailand since the 1950s, are repeated in Malaysia following on the development of irrigation and double-cropping, reform and protection will have to be pursued with speed. The Act of 1967 which fixes rents (which, however, should be relative to paddy production per acre) may fail to stem the adverse effects of tenancy rates on productivity.[19]

Ceylon also follows a policy of gradualism in grain production, with satisfactory results in recent years. It is reflected in the precedence given to irrigation development and to maintaining continuity in cultivation practices and the growth of scale of input requirements. It seems that conditions in Ceylon: relatively good water control, relatively heavy use of fertilizer per hectare and the use of locally developed high-yielding varieties H4 and H8, make Ceylon particularly suitable for a transition to the international high-yielding types of varieties and their associated technology.

The problems of Ceylon's agricultural policy appear to arise largely from the success of her basic policy to raise productivity and output. As regards irrigation, the major and medium projects and the promotion of low-lift pumps (particularly in the dry areas), will presumably have to be complemented by improvements in distribution systems and in the pricing of water.[20] The aim will have to be the exploitation of the large potential for double cropping. Crop diversification policies have been focused on high-yielding subsidiary crops, such as chillies, onions, pulses and potatoes, but the main measures of protection and incentive (import restrictions, import of fertilizer, fertilizer subsidies and the import of machines, tools and tractors) are concentrated on the rice sector. Given the experience of considerable success in rice production, there arise questions of crop balance or, simply, of the closer investigation of the costs at which additional rice is produced. The assessment of projects and the evaluation of achievements appear to be made almost exclusively on criteria of yield. A consideration of costs and alternative costs is bound to bring into question the structure of incentive prices: rice support prices are rather high relative to import prices and the subsidy on fertilizer (70 per cent of which is given for rice cultivation) amounts to about half of the c.i.f. prices. A higher price for fertilizer might lead on average to a more economical use of water, but water rates could be employed directly to this end. Price disincentives do not appear to have slowed down the demand for tractors. Mechanization needs to be examined in the context of its social cost (there is still heavy unemployment and underemployment in the countryside),[21] and

[15] It was reported by the Thai rice-breeders that virus disease reduced yield by 20-30 per cent and the gains in yield due to virus control could be substantial.

[16] Even the floating rice that is planted in a depression with a water depth of 4 metres, a recommended variety yields 6.5 tons per hectare without fertilizer. See Ishikawa, "Strategies", *op. cit.*, p. 87.

[17] Tenancy is prevalent in various regions of the country, its incidence being highest in the central plain where it has tended to increase since the 1950s. The proposed land reform, including rent control, security of tenure, land taxation and land titling, may check the increase in tenancy (due to lower rent) and induce large farmers to sell land, yet fail to safeguard the small farmers who are relatively more efficient; nor does it provide an adequate mechanism to check the resumption of land by landlords, and hence to ensure that productivity gains will accrue to the tenants.

[18] For example, *Bahagia* accounted for 70 per cent of the total distributed seed of the popular varieties in 1967/68. To this may be added the seed multiplied and distributed by the farmers themselves. It is likely that 20,000 acres were planted with this variety during 1969. Division of Agriculture, *Second Quarterly Report*, April-June 1969, p. 8.

[19] Particularly because the yield advantage of the varieties now being used or proposed is less than those for the IR-8 and IR-5. The minimum rent works out at 30-35 per cent of the total yield per hectare.

[20] These may include modification in the conditions of water use and review of the existing pricing policies for the use of water from public projects. The existing flat rate of water use does not induce the farmer to economize it. Ministry of Food and Agriculture, *Agricultural Development in Ceylon* (1969), p. 34. The graduated water rates charged in Malaysia provide a better policy for the efficient utilization of existing water.

[21] "In so far as agriculture is concerned, it was found that only about 30 per cent of the employed had more than 20 full days of work per month in various seasons". "It is also indicated that 31 per cent of the paddy cultivators had no work and 65 per cent on the average had less than 15 days of work per month". Further, it was estimated that 13.8 per cent of the labour force was unemployed; in villages the proportion was 12.5 per cent and 15 per cent, including the seasonally unemployed labourers. *Ibid.*, p. 12.

no notion can be formed of this without a closer investigation of the real cost of expanding rice production.

Lastly, while the rice policy was conceived in part to encourage the peasant sector and improve the distribution of incomes,[22] land reform, and particularly the reform of tenancy arrangements, appears to be a weak part of an agricultural policy which, in most other respects, appears suitable for the wide dissemination of benefits and productivity gains, provided that institutional hurdles are removed.

Concluding observations

The yield potential and short maturity characteristics of the new varieties make them clearly superior to local varieties, but the technical requirements of this culture: massive doses of fertilizer, pesticides, technically superior water supplies and precision of cultivation, are decidedly higher than the original varieties. Experience on the farm does not yet tell whether the dissemination of new varieties will be efficient in terms of the intensity of adoption. The new strategy is apparently land-saving and requires large amounts of working capital. This necessitates substantial extension of bank credit and other types of assistance to small cultivators if they are to share the benefits of the new high-yielding varieties.

It is too early to evaluate the economic and social effects of the new technology in the various countries of Asia. At this stage only the likely problems can be identified. However, the technological breakthrough in wheat, the somewhat varied experience with the new varieties of rice and the attempts to diversify agricultural production, may offer an opportunity for regional co-operation among ECAFE countries in respect of food and other crops and the supply of fertilizers.

[22] Central Bank of Ceylon, *Annual Report, 1968*.

B. INTRA-REGIONAL TRADE AS A GROWTH STRATEGY

Chapter I

INTRODUCTION

The case for promoting trade among the countries of the ECAFE region rests primarily upon the case of promoting trade among developing countries in general, for the countries of the region mostly belong to the developing category. The arguments that will be presented during the course of the present survey, however, will show that the developed countries of the region, namely Japan, Australia and New Zealand, also stand to gain significantly by entering into more intense trading relations with the developing countries of the region and, by doing so, can contribute a great deal to the development of the developing countries of the region.

The arguments for the promotion of trade among developing countries in general are well known and widely accepted in substance. It is however possible to hold the view that, despite the general acceptance of the ideas, not much has happened in the way of their translation into practice and that the developing countries have been directing the greater part of their attention to obtaining concessions in trade and aid from the developed countries of the world. It is true that the developing countries' trade dependence upon the developed world is of paramount importance and will continue to remain so for some time to come; hence it is perfectly in order for the developing countries to make all possible efforts to obtain better conditions in their trade dealings with the developed world. A lessening of one-sided dependence on the developed world ought, however, to be an ultimate objective of the developing countries.

Better conditions of trade with the developed world are meant to contribute to the faster development of the developing countries and are therefore expected to yield the long-run result of lessening the one-sided dependence of the developing countries. An intensification and diversification of trade among the developing countries themselves, however, is a direct means of lessening this dependence in the short-run. There is no conflict between the two approaches. Their complementary character was recognized when the developing nations opened three fronts at the UNCTAD forum: trade with developed market economies, trade with centrally-planned economies and trade among developing countries. While the approaches are consistent there remains a question of emphasis and strategy for further work.

Efforts at promoting trade among themselves demand self-reliance on the part of the countries concerned. While the developing countries all over the world are experimenting with and negotiating about various forms of economic co-operation, the importance of these new trade policies to the strategy of development of the developing world as a whole remain insufficiently appreciated. *The World Economic Survey, 1963*, calculated that "in the absence of structural economic changes and new policy measures the deficit in the balance of payments on current account (of the developing countries all taken together) would increase from about $5 billion in 1960 to around $20 billion in 1970 . . ." This calculation assumed the unchanging dependence of the development of the developing countries on imports from the developed world and ignored the possibility that part of the imports from the developed world could be offset by importing from the developing countries.[1]

The economic position of the developing countries, relative to that of the developed world, worsened in the decade of the 1960s. The high hopes of the First Development Decade have remained partly unfulfilled, though the extent of the failure is not apparent in a simple comparison of the target rate of growth and the rates of growth actually attained. During the period 1960-1967, the average rates of growth of gross domestic product and per caput product of the developing countries were 4.7 per cent and 2.7 per cent respectively, but there was a marked disparity between the rates recorded in different countries or regions. In the case of many countries or regions, also, the average rate of increase of GNP recorded in the 1960s represents a decline in comparison with the 1950s. As the Committee for Development Planning noted in its report on the fourth and fifth sessions, "There are indeed not many countries which have made truly rapid progress, apart from those which have benefited from exceptionally favourable external conditions (notably petroleum-producing countries and countries which have gained from war circumstances)".

[1] The World Economic Survey treated the gap as measuring the required contribution of other policy changes such as export drive, increased import substitution, measures to improve net balance of service transactions. Exactly the same treatment of import requirements from the developed world and complete neglect of the possibility of lessening that dependence through trade among developing countries mark the gap calculations of GATT as presented in *International Trade, 1961*.

During the same period, developed countries continued to expand their economies at high rates. Between 1960 and 1967, the developed market economies increased their total gross domestic product by 5.2 per cent and the centrally-planned economies increased their net national product by 6.6 per cent. Despite this performance, the developed countries have hitherto failed to fulfil the Development Decade target of contributing one per cent of their GDP as aid to the developing countries. Instead, "the net flow of financial resources as a percentage of the gross national product of the developed market economies have actually declined from 0.79 in 1960 to 0.68 in 1967". The report of the Committee for Development Planning continues, "Moreover, in spite of some progress in opening up their markets for exports from developing countries and in expanding new forms of technical assistances, the present situation in these fields still leaves much to be desired, and the world market prices continue to affect developing countries adversely".

The yawning gap between the developed market economies and the developing economies finds another expression in their export performances. While the developed countries have steadily expanded their world exports by 8.6 per cent per annum between 1950 and 1966, the exports of developing countries only increased by an average of 4.3 per cent per annum during that period. Recently this rate has increased: during the 1960s, the average rate of expansion was 6.0 per cent. This acceleration contains a sharp increase of exports to the developed world: between 1950 and 1958 the volume of these exports grew at the rate of 3.5 per cent per annum, but between 1958 and 1966 the rate increased to 5.8 per cent.[2] This acceleration of exports did not result in any acceleration of imports from the developed countries: export earnings presumably did not increase sufficiently to offset completely the effect of the slow-down of the net inflow of capital from the developed countries. In fact, exports from developed to developing countries increased during 1958-1966 at an average annual rate of 4.1 per cent, against a rate of 5.9 per cent during the previous eight years.

As a net result of these contrary movements of exports, the importance of the developing countries as trading partners of the developed countries has declined steadily, while the trade flows between industrial countries[3] have become steadily more dominant. In terms of world export earnings, the share of the industrial areas increased from 58.6 per cent in 1953 to 66.4 per cent in 1966, whereas the share of the developing countries decreased from 27.0 per cent to 19.3 per cent. The industrial countries' exports to each other rose from 37.1 per cent in 1953 to 47.5 per cent in 1966, whereas their exports to the developing countries fell from 17.5 per cent to 13.7 per cent. The exports of developing countries to other developing countries represented only 6.1 per cent of world exports in 1953 and this percentage shrank further to 4.1 per cent in 1966. This relative decline occurred despite the fact that the volume of these exports grew at an accelerated pace: between 1950 and 1958 the rate of expansion was only 1.2 per cent, but between 1958 and 1960 is became 4.8 per cent.

The decelerating trend of the developing countries' capacity to import from the developed world is likely to continue, leading to deeper international crises. On the one hand, there is hardly any possibility of the trend of exports from the developing countries to the developed ones taking any sharp upward turn. According to UNCTAD calculations, exports of traditional items are not expected to grow between now and 1975 at a rate higher than 4 per cent per annum. If import substitution proceeds at the same rate as in the past, the "gap" in payments due to goods, services and investments, will stand between US$17 billion and US$26 billion. The prospects for bridging this gap by net inflows of capital from the developed countries are not good.

Specifically, if capital inflows are to close the gap, gross flows of aid would have to increase massively because of the growing burden of debt service and repayments; or the terms of past and future would have to be eased.[4] There is however a second alternative: lessening the import requirements without changes in the target rate of growth. This would result from import substitution to be undertaken, not by each country vis-a-vis the rest of the world, but by the developing countries as a group vis-a-vis the developed world.

[2] UNCTAD *Trade in Manufactures of Developing Countries*, second session, New Delhi, 1967.

[3] According to GATT categories.

[4] "Studies by the UNCTAD secretariat show that if current gross flows of aid are maintained on present terms and conditions, the net flow will decline substantially over the coming years, and that even if the objective were merely to maintain the current net inflow, gross flows would have to increase considerably.

"Specifically, it has been shown that if the gross inflow of grants and loans into developing countries were to continue at 1965 levels, and 1965 average terms and conditions were maintained, the total net inflow of grants and loans (net of interest and amortization) would decline from $5.9 billion in 1966 to $3.6 billion in 1975. On the basis of the same assumptions, net lending for developing countries as a whole would become negative by the year 1970, and thus begin to offset the flow of grants.

"If, however, the net inflow of grants and loans is to be maintained at its 1965 level, and export credits were assumed to grow at a rate of 5 per cent annually, the gross inflow of grants and loans would have to rise from $12.2 billion in 1966 to $17.5 billion in 1975, assuming the continuation of 1965 terms and conditions of borrowing. Total debt service would in that case rise from $5.1 billion in 1966 to $10.4 billion by 1975. Payments of interest and amortization of developing countries other than petroleum exporters at the end of the period would absorb an average of 23 per cent of their over-all export earnings, even assuming an average growth rate of exports of 4 per cent per annum. Moreover, if lending were to continue on present terms, by the year 1975, 60 percent of the gross inflow of grants and loans would be offset by debt service as opposed to 42 per cent in 1966". UNCTAD, *Growth, Development Finance and Aid* (Synchronization of international and national policies), Issues and proposals (TD/7).

Import substitution as a strategy of development has recently come under attack, export promotion being often put forward as the alternative. Considerations of economies of scale, paucity of resources and absence of competition suggest that import substitution leads to inefficient investment allocations when it is resorted to by a single country on a large scale. But the alternative is not to resign the determination of the investment pattern in a country to world market forces; and again export promotion as a strategy does not mean that a developing country is to try to match by its own exports whatever imports there would be if world market forces were allowed full and free play. Export promotion and import substitution cease to be rival strategies as soon as the problem is shifted from the plane of an individual developing country to that of the developing world as a whole. Import substitution, in that sense, means a continuous change of the commodity composition of the import flows from the developed world to the developing world, restricting the scope of importation to such goods as are not obtainable at the given point of time by production in any of the developing countries. As a corollary, import substitution would mean the opening or intensification of trade among developing countries in the commodities partly or wholly eliminated from the flows of goods from the developed countries. Import substitution vis-a-vis the developed world and export promotion vis-a-vis other countries of the developing world thus constitute complementary measures.

The trade among developing countries that would result from this import substitution would thus represent trade diversion in the short run, with the usual advantages of trade diversion. In concrete terms, there is a range of manufactured commodities (consumer goods as well as producer goods) which many developing countries at present import from the developed countries and which can be or are being produced in other developing countries. Frequently these products are not perfect substitutes for the products of the developed countries because of differences in quality, cost and price. Static welfare comparisons are, however, of little relevance to the choice of a growth strategy. Trade diversion should only be the immediate effect of a strategy continuing import substitution with export promotion. There would, of course, be much trade creation once growth is accelerated. There would also be the usual effects of an enlargement of market: industries subject to increasing returns to scale which individual countries could not set up at all, or only run at very high costs, would become economically viable. Exposure to competition should ensure greater attention on the part of producers to efficiency and costs and greater care on the part of entrepreneurs in selecting industries for investments. The distribution of industry among countries would thus be increasingly based on comparative advantages.

This statement of a strategy that combines import substitution with export promotion is not meant to indicate a programme of action, but only to provide a logical frame in which to place the argument for promoting trade among developing countries. The purpose of the strategy is to obtain for the developing countries, as a whole, as high a rate of growth as is possible within the limits. The pursuit of different economic activities by different developing countries, and the commodity flows among those countries, have to be considered with this objective in mind. Of course, the entire developing world is not a single economic unit; the export earnings of all the developing countries do not flow into a common pool; they cannot be used to finance a common bill of imports to be distributed among the different developing countries consistent with an optimum investment allocation and production pattern. All the same, this model is no more removed from reality than many an economy growth model for a single economy and is not meant to do anything more than a model is supposed to do in economic theory.

From this model involving developing countries as a whole, one more step leads to the concept of regionalism: intra-regional trade, meaningful arrangements among countries of the same region, joint ventures and other forms of co-operation among them. It goes without saying that import substitution at the level of the developing countries as a group would, in concrete terms, most frequently mean import substitution at the regional level. This proposition which is based on elementary considerations of transport costs is more obvious than the further proposition that trade among developing countries must not be entirely confined to regions. For one thing, on the international plane, there are no economic (as distinct from conventional or geographical) definitions of regions. The geographical or transport-wide distance between two countries in different regions may sometimes be less than that between two countries of the same region. Even a long distance between two developing countries should not rule out the exploration of trading opportunities between them. There are obviously many and varied possibilities; one may attempt to look at some of them, keeping the ECAFE region in view.

A study of the long-term trends of the trade of the ECAFE region reveals some disquieting features. The share of the developing ECAFE countries in world trade has tended to decline and, at the same time, the terms of trade in both comparative and absolute terms have become steadily less favourable to these countries. World market prices of manufactures have been increasing much more than prices of primary products: while this is true of primary products of all regions, it is particularly so for the ECAFE region. Whereas the real prices of all primary products have increased by 33 per cent, the increase for the primary

products of the ECAFE region has been only of the order of 8 per cent. The region has not been able to maintain its share in the world markets for its traditional primary products. Petroleum-producing countries in the region have lagged in production and these exports are far behind those in other regions; natural rubber is facing keen competition from synthetic rubber and has been suffering a fall in prices; tea seems to have reached a point of demand saturation, whereas cocoa and coffee are enlarging their markets in the ECAFE region. The primary exports of the region have, over the long term, revealed greater vulnerability to violent market fluctuations than primary commodities of other regions. The traditional manufactures of the region have been stagnant: cotton textiles have been confronted by synthetic fibre products, jute has had to contend with the introduction of other packing materials (e.g. paper bags) and new handling methods (e.g. containerization).

Between 1955 and 1965, the developing ECAFE countries increased their exports at about the same rate as all developing countries taken together, but imports have grown at a higher rate than in any other developing region. This may be an indication of a policy of faster growth, and a failure to match the import requirements of fast growth with a commensurate extension of exports. This over-all view for the ten year period fails, however, to reveal certain crucial changes. While imports increased twice as fast as exports between 1955 and 1960, the rates became almost the same in the 1960s; the rate of exports going up and that of imports going down. The first movement reflects the success of the export promotion drives resorted to by most of the countries; the acceleration of imports partly reflects the effects of import substitution and partly the falling-off of net receipts of foreign aid.

It is true that there have recently been some hopeful developments. New markets have been opened up in some developed countries and in Eastern Europe, and new commodities, mostly industrial products, have made their appearance in the exports of the region. It can hardly be maintained, however, that anything that has happened so far will bring any fundamental change in the long-term trends. Neither long-term trends nor short-run developments permit the conclusion that the countries of the region can afford to base their development strategy on the assumption of a very much accelerated expansion of their export earnings in hard currency. Regional import substitution and intra-regional trade have thus all the more crucial a role to play in the region's development.

The policies pursued by national governments in this matter, however, have moved in the opposite direction. Most of the governments of the region in the period after the Second World War launched programmes of planned development and adopted a strategy of import substitution at the national level. This, among other things, has resulted in severely inhibiting intra-regional trade.

This tendency was all the more regretable as Asia's trade traditionally involves a much higher proportion of intra-regional trade than does the trade of other comparable regions. At present, approximately one fourth of the total trade of the developing ECAFE countries is intra-regional trade: this is to be compared with intra-regional trade in Latin America which has been about a tenth of its total trade.

The developing countries of the ECAFE region stand to gain significantly from the intensification of intra-regional trade. This in turn would benefit the developed countries of the region. In so far as intra-regional trade contributes to the faster rate of growth of the developing countries, the developed countries should benefit from the enlargement of the regional market. The size of the market is of no particular interest, however, so long as it remains closed in by protective walls. If the developed countries of the ECAFE region are to derive specifically larger benefits it would be necessary for them to participate in regionaal trade régimes. Japan, for instance, might gain initially through regional arrangements particularly in regard to capital goods. Australia might gain through trade creation, there being a potentially vast market in the region for its processed foods; it might gain if it could supply primary products which the regional countries at present import from outside the region. At present, New Zealand has practically no trading relations with the developing countries of Asia. The potential complementarities between these two areas are not such that mere removal of barriers would lead to the creation or even diversion of any sizable trade; that would only develop in response to promotional efforts.

Apart from Japan, the countries that have been making rapid advances in exports are China (Taiwan), Hong Kong and the Republic of Korea. It is interesting, however, that the balance of trade has been negative, not only in most of the other countries, but also in these export-oriented economies. The only countries with a surplus in this balance are Iran and Brunei, producing petroleum and Malaysia, producing rubber. The region, as a whole, has a heavy negative balance which continues to grow. The terms of trade follow a particularly adverse trend in the cases of tea, rubber, cotton, abaca and copra. While gold and foreign exchange resources have been increasing in China (Taiwan), Iran, the Republic of Korea and Japan, they have been declining in Ceylon, Malaysia and Pakistan. The absence of significant changes in the remaining countries is due to different reasons. In the case of India, for example, it indicates simply that reserves had reached rock bottom, although there has been some improvement in the fiscal year 1969/70.

Chapter II

COMMODITY COMPOSITIONS AND COUNTRY LINKAGES

This section presents the actual pattern of intra-regional trade flows.[1]

The importance of intra-regionat trade relative to total trade is higher in the developing part of the ECAFE region than in developing regions in Africa and Latin America. The comparatively weaker dependence on the developed world, and the existence of trade connexions of long standing, offer a sound basis for the further development of intra-regional trade and co-operation.

The importance of ECAFE developing countries' intra-regional trade in the region's total trade has however been declining. This reverse movement disappears when the intra-trade of the region as a whole is considered, instead of only the developing countries. About a third of the region's exports and the same proportion of its imports move inside the region itself, and this ratio has remained more or less stable over the years.

Among the countries of the ECAFE group, the degree of variation in the importance of intra-regional trade is very high. The high proportions which intra-regional trade forms of total trade in the Republic of Korea, China (Taiwan) and Thailand reflect the importance to their economies of certain commodities which are also important in their trade with other countries in the region. In the case of Sabah, Sarawak and Brunei, however, the high proportion reflects with fact that these were parts of the same economy during the colonial period and the present trade between them and the rest of Malaysia is but the erst-while domestic trade of the area in changed guise. The very low figures for Afghanistan are surprising: for a small land-locked country, Afghanistan's foreign trade has not got the country concentration one would expect. It has trade relations with only Iran and India among the ECAFE countries, its other important partners being the USSR, the United States and other Western countries. New Zealand has most of her regional trade relations with Australia, so that for her the coefficient of intra-regional trade is again very low.

The proportion of intra-regional exports to total exports declined between the mid-1950s and the mid-1960s in the case of many countries, but a reverse trend has been visible since then. In the case of intra-regional imports, however, the trend is declining, though in many cases the proportion has remained more or less unchanged. A conspicuous exception is the Philippines whose trade with the United States suffered a major reduction during this period.

The contrary movements of intra-regional exports and imports probably reflect nothing but the general fact that the imports required by the developing countries of the region from developed countries outside the region are outstripping their export earnings from the same markets. Exports to the region are expanding at a faster pace than exports to outside the region, but imports from the latter are expanding at a faster rate than imports from within the region.

A somewhat different pattern is revealed by Hong Kong, and China (Taiwan). Their exports to the region are declining as proportions of total exports but the proportions of their imports from the region to total imports are rising. In the case of the Republic of Korea, the proportions of both intra-regional exports and imports are rising. This may be taken to reflect the success of the export-oriented industrial development of these countries. They are increasingly importing raw materials from neighbouring countries and increasingly exporting their industrial products to extra-regional markets.

The commodity composition of the present intra-regional trade flows will be studied in detail in terms of the Commodity Flow Matrices presented in section 5. For a first judgement of future trade potentialities, it is helpful to compare the commodity composition of over-all trade. The countries of the ECAFE region can be divided into four groups: the three developed countries taken individually and all the developing countries taken together. Australia and New Zealand, of course, are treated as developed countries because of their higher per capita GDPs, but they are primarily non-industrial countries. It now appears that the commodity composition of the exports of Australia and New Zealand is more dominated by agricultural products and other industrial raw materials than that of the developing ECAFE countries. The share of capital goods in their imports seems also to be higher than in the developing countries. While durable consumer goods constitute 3.9 per cent of the developing ECAFE countries' exports, those for Australia and New Zealand are only 0.5 per cent and 0.1 per cent respectively. Non-food consumer goods constitute 14.0 per cent of the exports of the developing ECAFE countries; the figure compares well with Japan's 21.8

[1] It would have been desirable to trace the evolution of the pattern over time, but it is difficult to make such a study over any long period, as the countries in the region have changed a great deal since the Second World War.

per cent. The corresponding percentages in the exports of Australia and New Zealand are only 1.8 and 0.4. On the other hand, capital goods (including transport equipment) constitute 23.2 per cent of the developing ECAFE countries' imports, whereas for Australia and New Zealand the proportions are 30.3 per cent and 32.7 per cent.

This picture of the developing ECAFE countries appearing to have a higher degree of industrial self-sufficiency than Australia and New Zealand is, of course, due to the resource position of the different countries, including incomes per head (motor cars are classed as capital goods!), and also to the presence in the group of developing countries of a few countries that have developed along paths of export-oriented industrialization.

The proportions of capital goods and durable consumer goods in exports have gone up markedly in the cases of China (Taiwan), Hong Kong and India, though the last-named country has only lately pursued export orientation vigorously in her pattern of industrialization. In the case of Singapore and the Republic of Korea, however, the marked change has been in the component of semi-durable and non-durable manufactured consumer goods. These changes are matched by shifts towards capital goods in the imports of most of these countries; but in many cases there are also significant shifts towards manufactured consumer goods.

The commodity compositions of the intra-regional trade of the developing ECAFE countries, in terms of a certain number of specific commodity items which are of especial interest to the trade of the region, are considered individually in section 5 below.

The ten most important export commodity groups of the region are rice; oil seeds, oil nuts and fixed vegetable oils; tea; wood; textiles and clothing; non-ferrous metals; crude petroleum; petroleum products; rubber and heavy engineering (machinery and transport equipment). Of these, tea and heavy engineering lose their importance when intra-regional trade is considered.

The single most important commodity group in imports is heavy engineering products; next in importance comes textiles and clothing; and, thirdly, iron and steel. Machinery and transport equipment loses importance when imports from developing ECAFE countries are considered, whereas rice, crude petroleum and petroleum products become important. Comparing the years 1962 and 1966, it is found that rice and rubber became less important in intra-regional exports, whereas the importance of crude petroleum and petroleum products increased.

As regards the regional distribution of the exports and imports of the developing ECAFE countries, most of the manufactured products exported by the developing countries of the region go to regional countries but no such clear distribution exists in the destination of primary commodities. Changes over time do not seem to follow any regular pattern.

ECAFE's intra-regional trade can be divided into four broad commodity groups: food products (SITC 0 and 1); primary products other than food products (SITC 2, 3 and 4); manufactured products other than machinery and equipment (SITC 5, 6 and 8); and machinery and transport equipment (SITC 7). The country groups are: (1) Japan, Australia and New Zealand; (2) "Semi-industrial exporters": India, Pakistan, Hong Kong, Singapore, China (Taiwan) and the Republic of Korea; (3) the less advanced economies: Afghanistan, Brunei, Laos and Western Samoa; and, (4) all remaining countries of the region combined under the head of "non-industrial exporters". This fourth group includes countries which are no less industrialized than countries in the second group, but which export only a very small amount of 'manufactured' items. It is interesting to study the flows of all commodities between these country groups. Japan alone exports more to the region than any one of the other groups mentioned above. Half of Japan's regional exports go to the semi-industrial exporters; half of Australia's and New Zealand's regional exports go to Japan. The group of semi-industrial exporters in its turn depends on the group of non-industrial exporters for the sale of half of their regional exports; the non-industrial exporters sell half of their regional exports to Japan and a little less than half to the semi-industrial exporters; the less advanced group (Afghanistan, Brunei, Laos and Western Samoa) exports mainly to the non-industrial exporters and, to a lesser extent, to the semi-industrial exporters.

Intra-regional exports of food products are almost equally shared between Australia and New Zealand, the semi-industrial exporters and the non-industrial exporters. There is very little trade in food products within each of the groups. The biggest supplier of non-food primary products (industrial raw materials) is the group of non-industrial exporters. It accounts for more than half of the region's intra-regional exports. Half of these are again destined for Japan, the other half for the semi-industrial exporters. Next in importance come Australia and New Zealand, but all their exports in this category go to Japan. Intra-regional exports of manufactures, other than machinery and transport equipment, are completely dominated by Japan. Japan's main customer in this trade is the semi-industrial group; the latter is the second most important supplier of these products in the regional market, with the non-industrial exporters as its chief market.

Considering flows between groups of geographically contiguous or neighbouring countries, it is seen that the group of ASEAN countries, supplemented by the Republic of Viet-Nam, Laos and Cambodia, contsitutes a trading subregion, most of its trade being internal. Japan however is the most important market of the products of the group of Australia, New Zealand and Western Samoa and of the further group of India, Pakistan, Iran, Afghanistan and Ceylon. It is the second most important customer of the products of the enlarged ASEAN group plus the China (Taiwan)—Hong Kong—Republic of Korea group. These two groups together form an important buyer of Japan's products, although there is significant trade within the China (Taiwan)—Hong Kong—Republic of Korea group. The latter group is also a most important customer of Japanese products.

The trade pattern between the developed countries of the region, namely Australia, New Zealand and Japan, reveals that Australia and New Zealand's regional trade is predominantly with Japan, though the latter's trade with Australia and New Zealand forms only a small part of its regional trade. Both Australia and New Zealand enjoy a positive trade balance with Japan, whereas New Zealand is in deficit with Australia.

The existent trade flows between Thailand, the Philippines and Malaysia are insignificant and the same is true of the group Cambodia, Laos and the Republic of Viet-Nam. These countries have significant trade relations with Japan, Singapore, Hong Kong, the Republic of Korea and China (Taiwan), but trade little among themselves.

The trade flow between India, Pakistan and their immediate neighbours reveals that trade relations between these countries are not very important, despite their geographical contiguity. There are significant trade flows among the different parts of Malaysia and between them and Singapore and Japan, and also of exports to mainland China and the Republic of Viet-Nam from other countries. Japan's exports to mainland China have been expanding rapidly. The growth of the Republic of Viet-Nam's imports from China (Taiwan), Hong Kong, the Republic of Korea, Singapore and Thailand is presumably due to wartime demands.

Chapter III

THE BARRIERS

The present situation in which countries of the region restrict their imports from other countries of the region is more of a by-product of their general import control system than the result of a conscious effort to keep regional goods out of their markets. General speaking, these countries have made no great efforts to take into consideration the interests of other countries of the region when framing their import regulations. On the contrary, since many of the products made by countries of the region are not considered essential to their development programmes, there has been no incentive for governments deliberately to favour regional suppliers. This has led to a general apathy among the countries of the region towards the potential of intra-regional trade.

The ECAFE Working Group of 1963[1] suggested the following classification of the barriers to intra-regional trade:

"(1) Barriers which are the result of deliberate Governmental action to restrict trade, whether directed at trade in general or specifically at intra-regional trade. Such barriers take primarily the form of quantitative restrictions (quotas), and of tariffs and measures of equivalent effect.

(2) Barriers which are the result of Governmental action (or inaction), but of which the effect on intra-regional trade is incidental or secondary. One example would be if businessmen found difficulty in obtaining visas to other countries of the region in search of opportunities for trade.

(3) Barriers which are not the direct result of Governmental action but which are implicit in the geographical and economic structure of the region."

Whether or not the third set of factors can be considered on the same basis as the first two, there may be added the barriers which arise from preferential association of some regional countries with extra-regional trade partners. Moreover, there are commitments made under the terms of GATT which must be borne in mind. Finally, there are other impediments of a general nature, of which the structure of ocean freight rates is a good example.

Extra-regional preferences have ceased to be important only very recently. Until a few years ago, India, Pakistan, the Federation of Malaya, Singapore, Sarawak, North Borneo and Brunei participated in the Commonwealth preferential system with the United Kingdom; the preferential facilities available to Laos, the Republic of Viet-Nam and Cambodia in relation to the French community were preserved intact. The quotas in the Philippines—United States Agreement acted as a preferential quantitative trade arrangement. These arrangements secured a preference for the products of participating countries in the markets of the British Commonwealth or the French community or the United States. To some extent, the British Commonwealth and the French community preferences facilitated the exchange of goods on a preferential basis amongst participating countries within the region. At the same time, extra-regional preferential blocks inevitably discouraged the growth of the intra-regional trade of non-participating members to some extent.

However, the impeding effect of such arrangements may be easily over-estimated. Thus the ECAFE Working Group of 1963 observed:

> It does not seem likely that the existence of these extra-regional preferential arrangements would be a serious handicap to the establishment of the kind of limited preference area that might be established between some countries of the ECAFE region. They could present an obstacle to the establishment of a complete customs union, because the interests of the extra-regional countries benefiting from preferential agreement might be significantly affected. But there are a number of ECAFE countries among which it would be possible to establish a preferential area limited to goods produced in these countries without any real difficulty arising from the existence of extra-regional preferences.[2]

The General Agreement on Tariffs and Trade (GATT), which regulates the trading relations between most countries of the world except for the centrally-planned economies, was established in the early post-war period to promote world trade on a multilated basis. World-wide multilateral free trade has not been acceptable to the developing countries without fundamental reservations; UNCTAD has been the forum for the expression of their demands for non-reciprocal preferences to be accorded by the developed countries. It has become increasingly apparent that the clauses of GATT do not fully meet the requirements of the

[1] Report of the Working Group of Experts on Regional Economic Co-operation (E/CN.11/641).

[2] *Ibid.*

developing countries, although changes have been made in its text over the years to reflect in some measure the pressing needs of the developing countries. Changes were made when GATT was reviewed in 1954/55 and in 1965 a new chapter entitled "Trade and Development" was added to the existing text. Even after the adoption of greater flexibility to accommodate arrangements such as the European Common Market, the provisions of GATT remained ill-suited to the needs of the developing ECAFE countries.[3]

Apart from the deviation permitted from the Most Favoured Nation rule under Article XXIV, subject to certain defined conditions, GATT does not permit the establishment of new preferences. These may, however, be authorized by the Contracting Parties, if they so decide, under the waiver provisions.[4] GATT allows new preferential arrangements only if they are comprehensive. It does not countenance the establishment of new partial prefences; hence a decision by a group of ECAFE countries to grant tariff preferences to each other might be taken to imply that they intend, over a period of time, to reduce their tariffs on intra-group trade to zero. The General Agreement on Tariffs and Trade also requires that the preferential arrangement shall apply to substantially all the trade of the participating countries. This requirement is not entirely rigid, however, as demonstrated by the grant of a waiver to permit the establishment of the European preferential arrangement for coal and steel products when no prospect of a general customs union was in sight.

The most significant observation that can be made about the barriers imposed by governmental actions in the form of quantitative restrictions and tariffs is that with a few exceptions, no country in the region other than Australia has taken steps towards any sort of liberalization vis-à-vis intra-regional trade partners.

The following brief review of import restrictions that are in force in different ECAFE countries on many of the products of export interest to the same countries has chiefly an illustrative purpose.

In *Afghanistan,* quantitative import restriction measures are generally not used except to prohibit imports of a few kinds of textile and agricultural products and non-essential consumer goods. When the industrial development plan was initiated, measures were adopted to protect domestic industries and duty-free privileges were granted for the imports of certain industrial materials and equipment. Ad valorem rates predominate in the tariff structure. Examples of import duties are: gasoline, free entry; industrial machinery, 20-35 per cent; cotton textile products, 45-60 per cent; man-made fibres and silk textile products, 80-100 per cent; wool textile products, 35-65 per cent; alcoholic beverages, 150 per cent. In addition to such commodity tariffs, a general 4 per cent ad valorem tax is levied on all imports except goods imported directly by the Government and 2 per cent of the invoice value of all imports is charged for handling and administrative expenses.

A sales tax is also levied on the duty-paid value of imports at the bank free rate of exchange. This ranges from 3 per cent on automobiles to 30 per cent on gold-embroidered piece goods and genuine jewellery. Furthermore, monopolies duties are charged at the rate of 10-15 per cent, based on the value c.i.f. Kabul, including customs duty.

In *Ceylon,* government agencies play a dominant role in imports, particularly in imports of essential commodities. Goods classified as essential are rice, sugar, cement, caustic soda, cotton yarn, newsprint, petroleum products, textiles and manufactures of textile materials; these are largely handled by government agencies. Import duties on those commodities are low in relation to duties levied by other developing countries in the region. The duties levied are a mixture of ad valorem and specific rates. The Government regulates imports by quantitative import restrictions and commercial importers are required to import at the Government's fixed foreign exchange rates. As a result, tariffs are not the chief deterrent to imports. Imports are grouped in three categories: essential, less essential and non-essential. Non-essential commodities and goods which can be produced locally are subject to very high tariff rates and/or quantitative restrictions. This encourages domestic industries and reduces consumption of luxury commodities. The availability of import licences differs according to whether goods will be imported by actual users for manufacturing purposes, for their own use or for trading in domestic markets.

When commodities are imported by the private sector, they must be supported by the purchase of a foreign exchange entitlement certificate (FEEC) which is on sale at such a premium on the official rate as the government sets. As a means of stimulating exports, particularly of processed goods, export bonus vouchers are issued to exporters at rates varying according to the degree of processing and these can then be sold to importers. These entitlements can be used for the import of a wide range of commodities. The higher price of exchange notwithstanding, the highest profits are made from the import of less essential commodities for the domestic market.

[3] Article XXIV of GATT permits the establishment of customs unions and free-trade areas under certain conditions, including the requirement that the arrangement extends to "substantially all trade between the constituent territories". Such arrangements as EEC, EFTA, the Latin American Free Trade Association, the Central American Common Market, the Arab Common Market and the Australia-New Zealand Free Trade Area have been considered by GATT under this Article.

[4] A waiver was granted by GATT to Australia in respect of its scheme of preferences for developing countries. On the Tripartite Agreement between India, Yugoslavia and the United Arab Republic, the Contracting Parties to GATT took a decision in 1968 which, at least in form, seemed to reflect a rather more flexible attitude.

In addition to high taxes levied on imports classified as non-essential or competing with domestically produced commodities, most imports are subject to a 10 per cent customs surcharge calculated on the existing rates of import duties. Certain imports are subject to customs surcharges of 5 per cent or 20 per cent of the normal rate of duty.

Until the middle of 1968, the Government restricted imports (except for certain government imports) by a wide use of quotas. Recently, however, the Government has revised import and foreign exchange controls in such a way that market forces play a greater role in regulating import demand, particularly for goods required by domestic industries. Depreciated exchange rates apply to all imports other than certain essential goods and many items are free from quota restrictions. In all, about 350 items, mostly industrial raw materials and machinery, are now on open general licence and free of quota restrictions.

Tariffs are used to raise revenue, control the balance of payments and for protection. Exemptions or low rates are applicable to essential goods and higher rates are levied to protect domestic industries and restrict the import of luxury and semi-luxury commodities. As a member of the Commonwealth, Ceylon grants preferential treatment to imports from other Commonwealth countries.

China (Taiwan) has set up three different tariff categories to regulate imports: (1) prohibited, (2) controlled, and (3) permissible. Items such as pharmaceutical products, luxury goods, cigarettes, cigars, liquor, jewellery, tea, sugar and its substitutes, molasses, and refined camphor are on the list of prohibited items. Products such as groundnuts, rubber, pulp and waste paper, cotton, lubricating oil, diesel fuel, furnace oil, caustic soda, fertilizers, plastic materials, printing and writing paper, cotton piece goods, iron and steel, passenger cars, ships and boats, are on the list of controlled items. Imports on this list are either luxury consumer goods or goods which can be produced domestically at good quality and in sufficient quantity for domestic demand. The import of items on the permissible list is allowed quite freely and these goods can be imported either by factories or traders. This list includes such items as iron and steel wire, machine tools and rubber sheets. The end-users and manufacturers are permitted to import raw materials, machinery and replacement equipment for the operation of factories. Higher priority is given to imports if they are to be processed for exports. While there is no restriction on the purchase of foreign exchange other than the normal licensing procedures, the banks are required to secure a deposit of 25 per cent of the value of the imported goods before opening a letter of credit. This restricts imports to a certain extent and checks inflationary pressures. With the exception of machinery and equipment imported by manufacturing enterprises for their own use, imports from all sources are subject to a surcharge equivalent to 15-30 per cent of the customs duty.

The structure of tariff rates in China (Taiwan) indicates a higher degree of development in manufacturing industries than that of other developing countries. There has been a tendency to liberalize trade in both industrial and agricultural sectors and the result of the increased competition has been to further the development of domestic industries.

India can be cited as an example of a country which uses strict import control measures when in balance of payments difficulties. India adopted reasonably free import policies before its second five-year plan was initiated, but an import quota system was introduced in 1957 and this has been gradually tightened as foreign exchange has become increasingly scarce. Attempts were made for some time to overcome economic problems without devaluing the domestic currency, but the rupee was devalued in 1966. Some import quotas were relaxed at that time, but no great increase of imports resulted.

Although India gives a margin of preference of 6-10 percentage points to Commonwealth countries, import duties are levied on nearly all commodities and the rates are high.

Many "essential" commodities (rice excepted) are subject to higher tariff rates than those generally levied by other countries in the region; for example, industrial materials and equipment and essential agricultural input goods (except fertilizers) are subject to high tariff rates. Imports of specified commodities required by 59 high-priority industries are licensed upon application on a continuing basis if the previous licences have been used to a specified extent. Restrictive import quotas are applied to all commercial imports, actual users being permitted to import quantities based on past requirements, registered exporters in accordance with the import content of their exports. Priority is given to imports of foodstuffs, capital goods, raw materials, and other industrial requirements; the import of other items is severely limited or completely prohibited.

The allocation of licences is based on certain criteria, such as that the goods are required for infrastructure development or for government projects under contract to the private sector, that the import provides foreign exchange earnings or savings or that other credit is available. Import controls are further enforced by high tariff rates and by state agencies which handle the import of essential commodities, such as foodgrains, fertilizers, raw rubber, pharmaceutical products and synthetic fibres.

There are no import pre-deposit requirements and multiple exchange rates are not used, but taxes (such as sales tax, purchase tax and turnover tax at the state level) are levied in addition to general tariffs.

Indonesia recognizes three categories of imports: (1) the BE list, which is divided into very essential, essential and semi-essential sub-groups, (2) the DP list which is a residual list covering all permissible items not on the BE list,[5] (3) the list of prohibited imports. Luxury items, such as television sets with screens of 21 in or more, and textile goods with a design similar to batik, are prohibited. Funds received as foreign aid are used mostly for imports from the donor country of goods which are classed as essential in the BE list. Import tariff rates are changed frequently and are calculated on the c.i.f. value of imports. In addition to standard import duties, import surcharges of 75 to 200 per cent are applied to a number of items subject to import duty at a rate of 50 per cent or more. Commodities which compete with domestic products and certain other items bearing low rates of import duty are also subject to excess profit levies which range from Rp 10 to Rp 200 per US dollar.

In *Iran*, imports are grouped into three categories termed authorized, unauthorized and prohibited. Authorized imports include non-luxury goods which are not produced locally in quantities sufficient to fulfil domestic requirements. Almost all imports are subject to commercial profit taxes, as well as to a mixture of specific and ad valorem tariff rates. The ad valorem commercial profit tax ranges from one per cent to 225 per cent in accordance with the importance of commodities to the economy. Monopoly taxes are included in the commercial profit taxes.

In *the Republic of Korea*, prior to the adoption of a unitary "fluctuating" exchange rate in 1964, import quotas, special custom duties, an export-import link system, barter trade, reduction of automatic approval items, etc., were used to suppress imports. When the Government introduced a fluctuating exchange rate, imports were liberalized to some extent because such a system automatically adjusts import to export capacity. Greater attention was then focussed on expanding exports. The quota system was applied more narrowly and the list of restricted import items was reduced. However, the Provisional Special Customs Duties Law was introduced as a supplementary measure rather than leave the control of imports wholly dependent on the new exchange rate system. In addition to various different forms of duties, including high tariff rates of a protective nature, additional taxes reaching 70-90 per cent of the margin were levied under the Special Customs Duties Law on the estimated wholesale value of commodities. In 1967, trade was further liberalized. Imports of commodities which are not on the restricted or prohibited lists can be imported freely, applications for import licences being automatically approved.

Essential consumer goods which cannot be produced locally, certain raw materials and capital goods can be imported freely. Foods which can be produced locally in sufficient quantities to satisfy the domestic market and most luxury goods are on the prohibited list. Imports of raw material for production of exportables are automatically approved regardless of classification. As from 1 January 1968, tariff rates can be changed from time to time within certain limits when it is deemed necessary to protect an important domestic industry or to control abrupt fluctuations in prices. In the revised tariff, rates on goods which have international competitive strength were lowered so as to eliminate monopolistic profits but rates on luxury commodities were raised sharply. The amended custom law is a more flexible system which assists the gradual liberalization of trade.

The process of harmonizing tariff rates continues in *Malaysia*, but a few internal tariffs and other types of trade restrictions still exist between different parts of the country. Except that certain imports are subject to quantitative restrictions, pending the introduction of tariffs to protect domestic industries, most imports are permitted freely and tariff rates are low in comparison with other developing countries.

In West Malaysia, imports of rice from any country are conditional on the importer's purchasing one ton of rice from the government reserve stockpile for every ton imported. Imports of wheat flour and rice bran from all sources and imports of sugar are subject to quantitative restriction in order to protect domestic industries. Imports from Commonwealth countries enjoy tariff preferences of a very limited nature.

In *Pakistan*, permitted imports are classified in four lists: (1) a free list, (2) a licensable list, (3) an import bonus list, and (4) a cash-cum-bonus list. Imports require licences unless they are on the free list or are imported directly by the government. Imports of commodities on the free list are generally confined to industrial consumers, commercial importers and individual holders of import entitlements being subject to certain restrictions. Commodities on the free list and the licensable list can be bought at the official exchange rates. Industrial consumers

[5] The lists are named after the types of foreign exchange which can be used for these imports. BE=*bukti ekspor*, an exchange certificate based on (a) foreign credit (BE—*kredit*), or (b) that portion of export earnings which has to be surrendered to the Government; i.e., the equivalent of an officially-determined notional price ("check price") of the exported commodity, less tax. DP=*devisa pelengkap*, "free" foreign exchange generally earned from the sale of exports at a price above "check-price", equivalent to the difference between actual price and "check price".

of the items on the licensable list are allotted fixed entitlements based on the requirements of their industries when operated at single-shift capacity and commercial importers are given fixed quotas based on past actual imports.

Import licences are also issued under an Export Performance Licensing Scheme. This applies to exporters other than cotton and jute manufacturers in respect of specified items of their production requirements unless these appear on the free list. The main purpose of this scheme is to cover the import content of exports. Importers under this scheme can secure foreign exchange at the official rate.

Under the Export Bonus Scheme, import licences are freely issued for items on the export bonus list and also for all other permitted items (except sheet or plate glass) provided that the importer surrenders bonus vouchers[6] for the full value of the licence. Importers of commodities on the cash-cum-bonus list, must surrender bonus vouchers for 50 per cent of the amount of the licence, the rest being paid in cash at the official rate of exchange.

Industrial raw materials and equipment are subject to tariff rates considerably below the rates levied on products which compete with Pakistan's major agricultural products. Extremely high tariff rates protect the country's major industries. Pakistan gives preferential treatment to imports from other Commonwealth countries even if the goods are highly competitive with Pakistan's major products such as cotton goods.

Commodities such as iron and steel, coal, cement or materials for electrical equipment industries, are usually imported against foreign aid credits. If such funds are not available, importers are allowed to import them at the cash-cum-bonus rate.

The *Philippines* do not restrict imports by quotas but imports of certain agricultural products are prohibited in order to protect domestic production. The control of imports relies upon monetary and fiscal measures. Deposits are required on the opening of letters of credit to import, the extent of the deposit depending upon the commodity. In 1964 and 1965, this was 25 per cent for semi-essential producer goods, 75 per cent for non-essential producer goods and semi-essential consumer goods and 100 per cent for non-essential consumer goods and unclassified items. These rates were increased in 1967 to 25 per cent for essential consumer and producer goods (which were free from such pre-import deposits in early years), 50 per cent for semi-essential producer goods, 75 per cent for semi-essential consumer and non-essential producer goods, and 150 per cent for luxury items and non-essential producer goods. Imports of raw materials by selected local industries are exempted from the cash margin deposit requirements and so are prime consumer goods coming under the essential consumer goods category, certain farm machinery and equipment, fungicides, insecticides, imports under US PL480, and imports of rice, corn and tobacco leaf (except for blending purposes). While imports from the United States are admitted at rates 10 per cent less than standard tariff rates, a sales tax of 7 per cent is imposed on virtually all imports.

A considerable degree of import liberalization has been achieved in *Thailand*. Many commodities may now be imported freely. In 1967, import licences were required for eight listed commodities (in 1964 and 1965 there were seventy-nine listed commodities, but only ten in 1966). The import of some specified items from certain countries is prohibited. Imports of tea leaf, tea dust, and coffee are subject to a requirement that the importer purchase a proportionate quantity of the same commodity produced in Thailand.

Tariff rates are mostly ad valorem and low when compared with many other countries. To simplify calculations, the number of rates has recently been reduced. As the domestic industries develop and diversify, the Government is using the tariff mechanism to protect industries by moderately protective rates. Tariff rates are imposed on competitive products so that the import duties plus the c.i.f. prices of import commodities are slightly higher than the domestic market prices of the domestic products. This provides a challenge to domestic producers and improves the quality of their products and their productivity.

[6] Exporters must surrender all foreign exchange receipts at the official rate of exchange. For commodities other than certain specified goods, such as raw cotton, raw jute, rice or tea, exporters are entitled to bonus vouchers for 20, 30 or 40 per cent of the net exchange surrendered. The percentage largely depends on the degree of processing of the commodities in Pakistan. Such bonus vouchers are freely transferable and realize much higher rates than the official rate. The buyer is permitted to import freely from a wide range of specified commodities.

Appendix 3.1: Selected ECAFE countries: General tariff rates, 1968 or 1969

Commodity	*China (Taiwan)*	*Ceylon*	*India*	*Iran*	*Korea, Rep. of*	*Malaysia*			*Pakistan*	*Philippines*	*Singapore*	*Thailand*
Rice	Free	Rs 1/cwt	Free	—	25%	Free			Free	7.50-20.00 per 100 kg		
						West Malaysia	*Sabah*	*Sarawak*				
Sugar	100%	(Raw) Rs 3/cwt (refined Rs 6.50/cwt	50%		20%	M$145.60 or M$224/t	M$89.60 ton	M$89.60 ton	35% ad. val. preferential 10% ad. val.	(Raw) 25.00 gw 100 kg (refined) 40.00 gw 100 kg	S$313.60/ton	
Cocoa beans	60%	Rs 2.20/lb	40%		20%	M$10/lb			30% ad. val.	25%		
Tea	100%	Rs 2/lb	100%		150%	M$12/lb	Preferential	M$10/lb	0.5 Rp/lb, preferential 0.12 Rp/lb	75%		55%
Tobacco	Leaf 30% prepared 100%	Ready 6.40/lb, other 59.0/lb	100%		150%	(manufactured)	M$10/lb		Unmanufactured Rp 9/lb, manufactured 250% ad. val.	8-10+100% ad. val.	S$60/lb	
Groundnuts	15%	30%	50%		60%	M$224/t			20% ad. val. preferential 10% ad. val.	50.00 gw 100 kg		
Rubber sheet	40%	300%	27.5%	$0.04/kg	60%	Free			20% ad. val.	25%		
Rubber (crude)	15%	300%	27.5%	$0.04/kg	10%	Free, synthetic 25%			15% ad. val.	15%		
Pulp and waste paper	10%	Pulp 10% waste paper 50%	27.5%	$0.003/kg	Wood pulp free, chem. wood pulp 10% waste	Pulp free	Over-issued newspaper M$30/ton		Pulp 15% ad. val. waste paper 20 or 40% ad. val.	15%		
Cotton	12.5%	Free	10 paise/kg		10%	Free			25 paise/lb carded or combed	Free 80%		25%
Petroleum and petroleum products	35% Partly refined 50%	Lubricant oil Rs 2.10/gal for motor, refined Rs 2.15/gal	Petroleum products 27%		Petro-chemical products 10%, motor gasoline 50%	M$1.30/gal	M$0.65/gal	M$0.65/gal	Lubricant oil 1.20/gal, motor spirit Rs 2.00/gal	15%	S$1/gal	Free for refining purpose
Caustic soda		Free	60%			Free			35% ad. val.	20.00/gw kg		15%
Camphor (refined)	50%	Free	50%		40%	Free			35% ad. val.	10%		
Synthetic organic dyestuff						Free			25% ad. val.			

Appendix 3.2

Import restrictions on selected commodities: Illustrative notes

Tobacco: The incidence of import duty is very high amongst the developed countries of the region. In Australia, import duty on manufactured tobacco (tobacco refuse, leaf tobacco unstripped, tobacco stems and scrap) is as high as 355 per cent. The general rate of duty on manufactured tobacco, for use by a person who is a manufacturer for the purpose of Excise Act (1901-1965) and is the holder of a certificate by the Minister that in the manufacture of the tobacco certain Australian-grown tobacco will be mixed, is between Australian $0.50—0.70 per lb. In New Zealand, the import duty on tobacco for making cigarettes in a licensed manufacturing warehouse is $33.33 per 100 lb. The import levies are high, even amongst the developing countries.

Spices: Among the developed countries of the region, Japan levies a duty of 25 per cent ad valorem on pepper for retail sale. Australia has a general import duty of 12½ per cent on unground pepper. On ground pepper there is a general duty of Australian $0.033/lb and a primage duty of 10 per cent. New Zealand levies a general import duty of 10 per cent and MFN duty of 5¾ per cent on unground pepper. On ground pepper packed for retail sale the duty is as high as 40 per cent.

Among developing countries, Iran levies an import customs duty of 20 rls/kg on unground black pepper. There is also a commercial benefit tax of 10 rls/kg. In Malaysia, the federation common tariff places no import duties on import of pepper in any form. Thailand levies an import duty of 25 per cent ad valorem and a specific duty of 3.30 baht/kg on powdered pepper and a specific duty of 2.20 baht on non-powdered pepper. The rate of standard profit provided in the tariff is 10.5 per cent and the rate of business taxes 5 per cent. The rate of import duty in Burma is 30 per cent and in China (Taiwan) it is 40 per cent.

Sugar: Among the developed countries of the region there are substantial duties on imports. Japan has a specific import duty of Yen 41.50 to 51.50/kg. New Zealand gives free entry to raw sugar of polarization less than 990 when it enters the country for refining in a licensed manufacturing warehouse. Where the polarization has been reduced further, the import duty varies between NZ 83.7 cents/cwt to NZ$ 1.16/cwt. In both Singapore and West Malaysia, for sugar of polarization exceeding 990, the duty is S$ or M$ 201.60/ton. For sugar of lower polarization, the import duty in both the countries varies between S or M$ 95.45 to 156.80. In addition to the import duty there is also a heavy excise duty on sugar. The import duty in Sarawak and Sabah however is much lower, about M$ 89.60 per ton for all types of sugar. In Iran, the import of sugar can be effected only after obtaining permission from the Ministries of Economy and Finance. The import duty is 2.50 rls/kg for both granulated and lump sugar. In addition, there is a commercial benefit tax of 7.25 rls/kg.

Jute: Some of the exporting countries of the region impose certain levies on imports for the purpose of revenue. Some developed countries are still maintaining levies on the import of raw jute and their import duties for processed products based on jute are substantial. Most developing countries in the region maintain substantial import duties on the importation of jute products.

Tea: Malaysia has recently imposed a protective duty of 15 per cent. Thailand has (1) a regulation by which 25-30 lb of local tea have to be purchased for every lb of tea imported; (2) a tariff of 11.00 baht/kg or 55 per cent ad valorem duty, whichever is higher. The Philippines has no tea industry to protect but it has a high tariff (75 per cent ad valorem). Imports into Burma are made through governmental agencies and there is a 150 per cent duty. Iran has a comparatively high consumption of tea (1.88 lb per capita), but here, too, imports are controlled by quota licensing so as to afford protection to local industry. In addition, there is a regulation which requires a certain proportion of local tea to be bought at government controlled price. Tariff protection is also afforded. In Pakistan, imports are on limited quotas exclusively for blending purposes. Other imports are permissible on bonus vouchers, but, even so, the c.i.f. price has to be less than Rs 2/lb. This, in effect, imposes a 200 per cent duty on the permissible low-quality teas. This protection is reflected in the local auction prices. Chittagong prices are two to two and a half times the price of other auctions for comparable quality. In Ceylon, there are no restrictions on domestic consumption, but exports are liable to both export duty and ad valorem tax.

Chapter IV.
EVOLUTION OF IDEAS

In view of the extremely uneven state of economic development of the countries of the region, the exact form of co-operation which would be consistent with an equitable distribution of benefit is not immediately obvious and thus calls for close investigation. This must explain the contrast between the considerable volume of studies and declared support for regional co-operation, on the one hand, and the slow progress of concrete measures of co-operation, on the other hand. The Bandung Conference, which took place in 1955 and was attended by sixteen Asian and thirteen African countries, called for collective measures by Asian countries to stabilize primary commodity prices, develop intra-regional trade and encourage joint industrial ventures.

The ECAFE secretariat has sought to assist progress by promoting discussions and consultations among government representatives and by convening expert groups to analyse the problems and to recommend policies. These efforts, together with public discussion in individual countries and studies by private institutions and individual economists, have served to define the range of possible collective measures that can be taken by governments. The stage has been reached when the countries of the region should be in a position to consider concrete contractual arrangements conceived to suit the peculiarities of the ECAFE region.

The role of ECAFE

As far back as 1948, a Working Group of Experts was set up to examine and report on financial arrangements needed to facilitate intra-regional trade. Later in 1954, a proposal for the formulation of an Asian payments union to support greater intra-regional trade was also examined by a group of central bank experts. Interest in the problem was revived by the signing of the Treaty of Rome. The founding of the European Common Market had at first the impact of a threat, and only recently that of a positive inspiration.

In 1960, resolution 31 (XVI) on regional economic co-operation was adopted at the sixteenth session of the Economic Commission for Asia and the Far East (ECAFE). It was clear from the discussion at that session, as also from the terms of the resolution, that the countries at that time were primarily concerned with trade with, and aid from, the developed countries. The hopes and expectations of a large net improvement of the resource position through aid and better trade opportunities with developed countries were largely frustrated, and these frustrations were to characterize much of the debate in the years that followed. At its seventeenth session in 1961, the Commission enumerated the difficulties that beset any far-reaching programme of integration in the short run, in view of the significant differences between the ECAFE region and other regions in regard to economic, historical and political conditions. It again stressed the greater importance of trade with developed countries as compared with intra-regional trade. It was then recognized that co-operation among the countries of the region on a general or sub-regional basis should provide an incentive to accelerated development, particularly in the field of industry, and widen the opportunities for intra-regional trade. The Commission also identified a number of areas and suggested a number of projects in which this piecemeal approach to developing regional co-operation could be tried. To stabilize prices and solve marketing problems of primary commodities, it recommended a commodity-by-commodity aproach. It also pointed to the feasibility of bilateral arrangements for exchanges of commodity surpluses among the countries of the region.

The next move was made by the Committee on Trade. At its fourth session, it recommended that a detailed investigation of the practical methods and forms of promoting trade co-operation in the ECAFE region be undertaken by a group of experts. A Consultative Group of Experts on Regional Economic Co-operation in Asia was constituted in August 1961. This Consultative Group examined the feasibility and forms of regional trade co-operation such as co-operation in commodity problems, extra-regional preferences, vertical and horizontal integration and sub-regional arrangements,[1] and opined *inter alia*, "While the creation of a full-fledged customs union or a free trade area may not be immediately feasible, it should, nevertheless, be possible to set up a joint regime to evolve measures thatt may be necessary in the field of tariff reductions, enlarged quotas and the facilities for expansion of exports which may be mutually agreed upon by participating countries to secure an increase in intra-regional trade."

The need for regional co-operation in trade as a means of achieving a satisfactory rate of economic growth of the developing countries was confirmed by the Commission in a resolution adopted at its session in 1963. The ECAFE secretariat was requested to

[1] "Report of the Consultative Group of Experts on Regional Economic Cooperation" (E/CN.11/615).

convene a meeting of high-level representatives of member and associate countries of the region to review the progress achieved so far and to formulate and adopt positive measures for concerted regional action. In preparation for the meeting of high-level representatives, another working group of experts was convened by ECAFE in 1963.[2]

The report of the working group was examined by the Preparatory Meeting for the Special Conference on Asian Economic Co-operation held in October 1963. The Proparatory Meeting recommended measures for the promotion of accelerated economic co-operation, the strengthening of trade liberalization on a regional basis, the removal of quotas and tariffs on a sub-regional basis and the granting of special concessions on government purchases. That meeting was followed by the first Ministerial Conference on Asian Economic Co-operation which was held at Manila in December 1963.[3] This Conference requested the examination of measures of trade liberalization, such as the removal of quantitative restrictions and reduction of tariffs, and the promotion of free trade areas on a sub-regional basis amongst interested countries. The ECAFE secretariat accordingly convened a Working Group of Experts on Trade Liberalization in 1964.[4] This group examined alternative means of trade liberalization, such as the establishment of free lists for selected commodities, regional quotas in respect of specified products and bilateral trade agreements.

The Second Ministerial Conference on Asian Economic Co-operation, held at Manila in December 1965, adopted a resolution on dynamic Asian Economic Co-operation. It recommended that a study group be constituted among the regional countries to examine the financial aspects of trade expansion and the need for a payments arrangement to prevent imbalances such as might arise from expanded intra-regional trade. These questions were discussed at a seminar organized by ECAFE in August 1967, and alternative schemes of clearing and payments arrangements suitable for the region and sub-regions were considered.[5]

In September 1968, ECAFE convened a meeting of Government Experts on Trade Expansion in preparation for the Third Ministerial Conference on Asian Economic Co-operation.[6] As a practical step towards trade liberalization, a number of countries agreed to provide the ECAFE secretariat with lists of export products of interest to them. The Third Ministerial Conference on Asian Economic Co-operation, held at Bangkok in December 1968, adopted a resolution on strategy for integrated regional co-operation and decided to establish a continuing Council of Minister for Asian Economic Co-operation to give continuous guidance and review the progress of regional economic co-operation. It recommended member Governments to set up National Units to act as focal points to work in co-ordination with the ECAFE secretariat.[7]

Trade liberalization is only one of the programmes which has exercised the countries of the region. A parallel line of thought concerns plan harmonization. In this regard, the ECAFE secretariat has taken the initiative in guiding the countries of the region to an agreement on various modes of co-operative action. A Ministerial Conference on Asian Economic Co-operation was established at the 1963 session of the Commission and a list of fields in which co-operative efforts could be developed was drawn up by that Conference at its second session. These included shipping and ocean freight rates, natural resources development, the Asian Highway, telecommunication, typhoon damage control and population policy, and, above all, trade liberalization and plan harmonization. In 1966, the Commission set up a permanent Asian Industrial Development Council. Plan harmonization was considered at Working Group Meetings in 1966, 1967 and 1968.[8]

These activities led to the formulation of proposals and understandings which will be briefly examined below.

Regional preferences

The idea of intra-regional preference has been generally accepted as the basic principle on which to establish the institutional superstructure for the promotion of trade and other modes of economic co-operation. The implicit conflict with the fundamental charter of GATT is conceded, but it is the continued validity of the GATT charter that is questioned. Thus, the Expert Group of 1961 concluded:[9]

> Strict reciprocity in tariff concession between advanced countries on the one hand and developing countries on the other hardly provides a feasible basis for negotiating a mutually beneficial system of trading relationships between the two groups of countries . . .
>
> The experience of Western Europe and Latin America would suggest that the contracting parties to GATT might be prepared to adopt a

[2] The reports of the working group of experts, the Preparatory Meeting and the first Ministerial Conference, and the text of resolution 45 (XIX) are embodied in the printed document E/CN.11/641.

[3] E/CN.11/641.

[4] "Report of the Working Group of Experts on Trade Liberalization" (E/CN.11/707).

[5] "Report of the Seminar on Financial Aspects of Trade Expansion" (E/CN.11/Trade/TC/63).

[6] MCEc III.

[7] MCEc III/2.

[8] See EAC 54/L.35.

[9] "Report of the Consultative Group of Experts on Regional Economic Co-operation in Asia" (E/CN.11/615).

> flexible and pragmatic approach to the question of tariff preferences and to grant waivers to countries which are parties to the General Agreement on Tariffs and Trade, even though proposed trade co-operation may not extend to 'substantially all trade between the constituent territories of the union'. . . In the early stages of regional integration a waiver was granted to the European Coal and Steel Community . . .

A Second Working Group of Experts which submitted its report[10] in 1963, referred to the groupings in Western Europe and Latin America, and concluded that

> The growth of regionalism of this kind reflects the realization that the goal of world wide multilateral free trade on a non-discriminatory basis, in the spirit in which the General Agreement on Tariffs and Trade was conceived in 1947, is inappropriate at the present time.

The same theme is found in all subsequent expert opinions. There has, nevertheless, been considerable evolution in international attitudes towards this question during the last decade. On the subject of reciprocity, the new Part IV of GATT specifically provides that developed countries should not expect reciprocity from developing countries for concessions granted in trade negotiations. Thus the less-developed countries which are contracting parties to GATT should not be expected to make concessions inconsistent with their individual developmental, financial and trading needs.[11]

Experience has indicated, however, that the principle of non-reciprocal discrimination, if it is to be effectively applied, must be adapted to the needs of particular developing countries and be maintained for considerable periods of time. The range of variation in the level and structure of development among developing countries is extremely wide. It extends from small, land-locked countries producing one or two primary products for export, to partially industrialised countries which managed to sell manufactured products in the markets of the developed world.

[10] "The Rationale of Regional Co-operation", Annex 2 in ECAFE, *Regional Economic Cooperation in Asia and the Far East*, E/CN.11/641 (1964).

[11] A generalized scheme of non-reciprocal, non-discriminatory preferences is being formulated under the auspices of UNCTAD; the Contracting Parties to GATT have indicated their readiness to take appropriate action when such a scheme has been negotiated. They have also expressed the intention of appraising constructively the results of negotiations now in progress under GATT auspices among developing countries for an exchange of trade concessions among themselves.

The fact remains that the fundamental rule upon which GATT is founded is that of the most favoured nation principle. If an arrangement does not conform with the requirements for a customs union or free-trade area under Article XXIV, it represents a deviation from the basic Article I and can at present only be authorized by a waiver.

Partial integration

A second point on which a large measure of agreement has been reached arises from the peculiar heterogeneity of the countries of the ECAFE region, especially in the relative levels of industrial development, which distinguishes the region from other continental or sub-continuental regions where various arrangements for trade preferences have been introduced since the Second World War. At present, there may be little prospect of reaching agreement on comprehensive measures such as a customs union or free trade area embracing the entire region. The approach that has gradually emerged has sometimes been called "partial integration".

The Expert Group of 1961 recommended the setting up of a "joint regime to evolve measures that may be necessary in the field of tariff reductions, enlarged quotas and other facilities for expansion of exports which may be mutually agreed upon by participating countries to secure an increase in intra-regional trade". The Working Group of Experts of 1963 recommended a comprehensive regime and argued in favour of the customs union type of arrangement which might perhaps be first tried at a sub-regional level. The Working Group of 1964, on the other hand:

> . . . felt that schemes for the automatic and complete removal of quantitative restrictions and/or tariffs within the ECAFE region were not feasible; but that less far-reaching measures would be practicable and beneficial to the participating countries.

Expert opinion is that what is feasible by way of arrangements covering the entire region may have the following two features:

(a) liberalization should have a partial coverage; that is, it should cover only named products, which would be added to from time to time, and

(b) should be optional, that is, the participating countries should not have any automatic obligations.

Sub-regionalism

Yet another idea that has emerged is that of sub-regional groupings. While the region as a whole is considered to be too large and heterogeneous to form the basis of any early far-reaching arrangement, it is thought that the same objections will not present themselves so acutely if groupings of some of the countries were considered. The Consultative Group of 1961 formulated the principle clearly: "Apart, therefore, from the desirability of setting up a broad-based organization for regional co-operation, co-

operative arrangements on a sub-regional basis will prove to be rewarding. These arrangements, which may be conceived on a horizontal basis, among groups of contiguous countries can be depended on to provide for more effective integration of economic activities in well defined fields of endeavour".[12]

The Expert Group on Trade Liberalization thought that "there was no inherent conflict between the existence of sub-regional groups and a wider regionalism and that, indeed, it could be easier within the context of a sub-regional arrangement to move towards closer economic integration than seemed currently feasible on a region-wide basis".

Techniques of trade liberalization

These discussions and studies of systems of trade and trade liberalization extended also to the techniques of liberalization. They nevertheless stopped short of assessing the effects of alternative schemes in terms of commodities and countries, and thus also of proposing starting points and steps in negotiations. The nature of this gap between principles of policy and of technique, on the one hand, and concrete working proposals, on the other hand, can be illustrated from the recommendations of the 1961 Consultative Group:

> It would thus appear that under a joint regime of intra-regional trade promotion, a variety of methods could be fruitfully employed by the countries of the region with mutual advantage. Those measures would be: fulfilment of plans for additional volumes of intra-regional trade supported by additional quotas; establishment of regional or sub-regional industrial units which will have opportunities of marketing their products in other countries on a concessional basis in respect of tariffs and quotas; special measures by governmental organizations and grading agencies to promote intra-regional trade through their purchase procedures and policies; and the negotiation of long-term contracts and trade agreements for the expansion of production and trade in agricultural and mineral products, including the provision of technical and financial assistance.

The Consultative Group also recommended devising ways and means to organize "multilateral supplementary trade on a self-balancing basis". These recommendations mention quotas, but not the range of commodities to which they may be applied. They refer to joint industrial units, but the studies of industries and countries that offer such opportunities are still incomplete. As to the supplementary trade idea, the technique to be used for arriving at a multilateral balance has yet to be worked out.

[12] "Report of the Consultative Group of Experts on Regional Economic Co-operation in Asia", *op. cit.*

Techniques, in the sense of steps that should lead to a particular system of preferential trading continued to be discussed by the various groups. One of the recommendations of the Working Group of 1964 is of a very practical nature. It concerns bilateral agreements to be negotiated in a setting of multilateral confrontation so as to facilitate multilateral arrangements. It was suggested that the bilateral deals should not attempt any bilateral settlement of claims but should seek mutilateral compensation.

The second and third courses recommended by the Group are as follows:

> Each member country could establish lists of commodities which would be completely free from all quantitative restrictions in respect of intra-regional trade. The preliminary free lists would form the basis of a multilateral negotiation in which each country could try to find a reasonable balance between the export possibilities and the additional imports it would allow for the goods on its own list.
>
> Each country would establish regional quotas for selected products in addition to global quotas. The balancing of import and export possibilities would be through multilateral negotiations. Reduction of the regional quotas should not be made except for compelling reasons in which case it should normally be made through the regular periodic negotiation of quotas.

There is thus a considerable stock of ideas on techniques that may be used to bring about liberalization, yet there is little progress which can be drawn upon to translate ideas into practical measures or institutions. While there was some appreciation of the urgency of intra-regional trade creation as a development strategy, the concrete benefits that would accrue to each country on the adoption of any particular suggested course had then not been worked out.

As they are presented in general terms, many of the recommendations may have given rise to the impression that the objective was trade for the sake of trade. Experience teaches, however, that any system of tariff reduction on a preferential or universal basis is extremely difficult and complicated, even when countries have joined in formal customs unions or free-trade associations. The difficulties of setting up a regime based on commodity-group negotiations and revocable agreements are likely to be no less. However, none of the techniques suggested at that time removed the uncertainty that most individual countries might experience regarding the balance of gains and losses that might follow from their adopting any of them. Given the difficult and changing balance of payments position of most of them, there were, understandably, some fears of the risks involved.

Partial plan harmonization

On plan harmonization, also, there has emerged a certain consensus among experts to the effect that regional economic co-operation or integration should begin by a harmonization or co-ordination of national plans in specific areas and concomitant trade liberalization. One line of thought is that, while trade liberalization has to be attempted at a wide regional level, plan harmonization is the approach to follow at the sub-regional or sub-group level.

> Economic growth can be accelerated through plan harmonization strategy because it permits more efficient utilization of a region's productive resources by introducing a higher level of division of labour and widening of markets and deliberate creation of new productive capacity and complementary production patterns in the participating countries. Harmonization strategy will eliminate wasteful duplication of investment and production efforts, augment the pool of real resources, exploit economies of scale, permit foreign exchange savings through successful import substitution, and lead to an increase in the region's export potential. Its advantages are particularly noticeable in the production of capital goods and durable consumer goods.
>
> Many countries in the ECAFE region are trying to develop durable goods, intermediate goods and capital goods industries within their national bounds. Steel, fertilizers, pulp and paper, and cement are the oustanding examples. Development of such industries presupposes availability of raw materials, capital, entrepreneurship and technical know-how and infrastructure. Difficulties encountered by the countries in finding complementary resources are well known and have reflected themselves in dependence on imports. It may be noted that in the field of agriculture, consumer goods and light manufactures, the countries have fairly well succeeded in establishing such industries behind protective trade barriers. Supply limitations encountered in these industries are relatively less serious and the size of the domestic market is large enough for the establishment of efficient plants in such industries. Of course, the success of national import substitution policies in agriculture and consumer goods has been largely at the expense of intra-regional trade. This consideration suggests that the policy of plan harmonization and regional or sub-regional import substitution in intermediate and capital goods industries deserves urgent attention.[13]

Partial harmonization was one answer to the great practical difficulties which might be encountered in any attempt to achieve comprehensive harmonization of national plans at one stroke. A commodity-by-commodity approach to plan harmonization appears administratively and technically more feasible. Thus, it is suggested that a sectoral or commodity approach may offer the best starting point of plan harmonization. In the present context of a discussion of intra-regional trade, it is felt that, if plans are harmonized to any extent, trade must not frustrate these agreements. Liberalization schemes will thus have to be consistent with plans, whether harmonized or not. Harmonization itself can be conceived as promoting additional trade.

Financing of trade

In principle, it would be possible to expand trade among the regional countries in a reciprocally balanced fashion, so that no payments problems could arise in the process. However, it is unlikely that the process of trade liberalization and expansion would be so perfectly synchronized. There would be inevitable delays in the expansion of industrial capacity, so that the countries experiencing such delays would not be able to take prompt advantage of the trading opportunities offered by the other countries. Thus, transitional payments problems are bound to arise. Unless these payments problems are softened by appropriate credit extension, the purpose of trade liberalization and expansion would be thwarted. The mutual extension of credit is thus considered to form an integral part of the measures for trade liberalization and expansion. A payments union with credit facilities would not only facilitate trade liberalization and expansion, but, by its very existence, it would also induce the adoption of trade promotion measures. With the exception of the Working Group of 1963, all expert bodies and consultants have recognized the need for the setting up of some institution, if not a Payments Union, at least a Clearing House.

In 1967, the ECAFE seminar on the Financial Aspects of Trade Liberalization discussed alternative schemes of payments arrangements, including a simple clearing system and a payments union with credit extension and reserve arrangements.[14] As a result of the seminar's discussions and the consultants' reports, the idea has been generally accepted that "the minimum that the countries of the region should agree to do is to set up a clearing mechanism". There seems to be general agreement that such an institution would benefit member countries in the following ways:

(a) it will bring member-countries closer to each other and thus enable them to go further in the direction of closer economic, technical and financial to-operation;

[13] ECAFE, "The Rationale of Plan Harmonization and Economic Co-operation in the ECAFE Region", RP/WPH.1/A.3 (1966).

[14] E/CN.11/Trade/TE/L.3.

(b) it will lead to some saving in servicing costs and

(c) it will reduce dependence of member-countries on hard currencies and gold and lead to increased use of the currencies of member-countries in trade.

There is almost universal agreement that these benefits are real and experience of clearing arrangements created in other parts of the world shows that such benefits would follow. It has been argued that there would be some saving in servicing costs also.

There is also agreement on the possible disadvantages:

"(a) for the operation of clearing arrangements countries that have no foreign exchange restrictions or controls on current payments (Article VIII countries) may be required to take some steps which may be tantamount to putting the clock back in the matter of liberalization of foreign exchange controls;

(b) a regional clearing arrangement may well result in the curtailment of credit facilities that are currently available to member-countries from traditional banking centres located outside the region, and

(c) if the settlement period for clearing transactions is long, it may result in unintended extension of credit from surplus countries to deficit ones."[15]

There is however no need to reach agreement as to whether there should be facilities for credits in addition to clearance regardless of whether just a Clearing Mechanism or a Payments Union is required. On the question of whether it is a clearance mechanism that is to be set up or a payment union, expert opinions are now being studied regarding the various aspects of their functioning, and the geographical coverage desirable. At the 1967 seminar, it was recognized that a larger group of countries, involving a greater absolute amount of compensable trade, would be superior to a small group.[16]

[15] *Ibid.*

[16] One of the experts proposed that the percentage of compensable trade to total trade should be a criterion of the efficiency of a grouping. While most experts recommend that the arrangement should include the membership of most if not all countries of the region, this expert recommended the omission of Brunei, Hong Kong, Iran and New Zealand, on the basis of the payments position of each of these countries vis-à-vis the region.

There are three possible criteria for lending and borrowing:

(a) intra-regional trade surpluses (or deficits);

(b) over-all balance of payments and reserve position; or

(c) surpluses or deficits associated with incremental intra-regional trade.

The first of these criteria has been questioned on the grounds that an intra-regional trade surplus, in some countries, may form the traditional and essential counterpart of a trade deficit with the world outside the region:

> Such a criterion might indeed result in forcing poorer countries to lend to richer ones and countries in over-all deficit to lend to countries in over-all surplus.

The second criterion has found more support but it could sometimes lead to paradoxical results. A country running a deficit in its balance of payments vis-à-vis the world, would under this arrangement be entitled to borrow from the regional union. Two questions arise: firstly, why should it be necessary for it to borrow from this union in view of the existence of the IMF and other bodies established precisely to meet such needs? Secondly, if credit facilities are to have no relations with intra-regional trade, how is the existence of such a facility going to intensify intra-regional trade? The third criterion would give rise to the difficulty of defining and measuring incremental trade, but this difficulty is surmountable.

On many matters of detail there is now agreement among experts or at least their differences are not serious. Thus, it is commonly accepted that, for the clearance system, settlements should take place at monthly intervals, whereas the interval should be annual when it concerns credits; that this monthly or annual settlement has to be in terms of some convertible currency; that accounts may be kept in terms of a new currency unit, "the Asian dollar", defined in terms of its gold equivalence; that either the Asian Development Bank or one of the central banks of the region could be entrusted with the work of operating the union agreements and that the union has to have a reserve pool of, at least, 100 to 200 million dollars to begin with.

Chapter V

COMMODITY PROSPECTS

This section considers the state and prospects of the intra-regional trade in a number of commodities which are actually or potentially important as export commodities for the region as a whole or for some of its countries. Possible measures of co-operation by the countries of the region will be indicated in the discussion of future prospects.

Rice (SITC 042)

Production has been rising rapidly in all rice-producing areas. In the ECAFE region, production increased between 1955-1957 and 1967 by about 35 per cent, as against a 30 per cent increase in the entire world. World exports increased by 25 per cent between 1955-1957 and 1965, but those from the ECAFE region increased less rapidly; as a result, the region's share in world rice exports dropped from 60 per cent in 1955-1957 to about 40 per cent in 1967. Over-production has been predicted for the world as a whole.

The principal rice-exporting countries of the ECAFE region, omitting mainland China, are Thailand, Burma and Cambodia. The principal rice-importing countries are Malaysia, Hong Kong, Indonesia, India and Ceylon. The exports of the region almost fully meet the import demands of the region while exporting also to the world outside. India alone among the regional importer countries does not satisfy its full import requirements from regional sources.

The region imports little rice from outside but does import large quantities of other grains. In 1966, the region spent about US$ 1,600 million on imports of foodgrains from extra-regional sources, about US$ 1,000 million being imported by the developing countries.

According to projections made by FAO, the developing ECAFE countries may have an exportable surplus of 4 million tons by 1975. The alternative projection of the World Indicative Plan expects a surplus of 2.1 million tons. The world outside the region is unlikely to absorb even the lower of these projected quantities. It is thus imperative to work out a pattern of intra-regional trade among the ECAFE countries to brake the implicit price fall.

Available projections also envisage a regional deficit of wheat and coarse grains to the extent of about 2.0 million tons. There is thus a possibility of utilizing the surplus rice as a substitute for other grains. The size of the expected rice surplus may also be reduced by substituting other grains for rice in the agricultural plans of the countries that are now aiming at self-sufficiency in rice. A multilateral long-term agreement, whereby every participant country gives an undertaking to supply or to buy specified quantities of rice at fixed prices, would be an obvious method for stemming the tendency towards surplus in so much as that would reduce the uncertainty of present deficit countries regarding the cost of meeting their future needs.

Tea (074.1)

The share of tea in the export earnings of developing ECAFE countries was 6 per cent in 1960 and 5 per cent in 1965. In terms of world production, the share of the ECAFE countries was 80 per cent in the mid-1950s, but 75 per cent in 1965 due to increased production in East Africa and the USSR. In terms of world exports by volume, the share of the ECAFE region was 94 per cent in 1955 but only 87 per cent in 1965.

World production increased in the first half of the 1950s by about 18 per cent, and in the second half by 15.5 per cent. Between 1960 and 1965, the growth of production slowed down even further. Production is nevertheless expected to increase from 2,050 million lb in 1965 to 2,900 million lb by 1975, an increase that would spell disaster for prices. A continual erosion of black tea price began in 1955. By 1968, prices had declined so steeply that an *ad hoc* meeting of tea-producing countries, sponsored by FAO and held at Kampala in January 1969, resolved that some form of international action was necessary and, at a further Working Group meeting of FAO in April 1969, it was agreed that producing countries should meet with a view to restricting production.

The developed countries are lowering their import restrictions on tea. As a result of lengthy negotiations at GATT, the customs duty on bulk tea has been removed and the duty on packeted tea reduced from high percentages to only 5 per cent. Japan alone among the developed countries has both a high duty of 35 per cent and a rigid quota for black tea. Japan may be expected to fall in line with other developed countries in the world, especially if it can expect regional preferences. Developed countries, however, are aggravating the problem for India and Ceylon in other ways; some of them are trying to become self-sufficient in tea. Competition is also growing in African countries where international agencies are encouraging some of the countries to increase their acreages.

The problem, however, is not restrictions in the developed countries, but demand saturation in the traditional markets. In the developed countries, demand for tea is highly inelastic to changes in price or income. In the United Kingdom, the largest market, per capita consumption has declined from 9.97 lb in 1956-1958 to 9.31 lb in 1963-1965. What is true of the United Kingdom is true of other traditional developed markets, such as Canada, Australia and New Zealand. Per capita consumption is declining, not only because of the changed beverage habits, but also because of the immigrant coffee-drinking population.

The tea-producing countries can help themselves a great deal by co-operating in restricting production and in sales promotion compaigns. Intra-regional trade among the developing countries can help the tea-producing countries. Since per capita consumption of tea is very low in these countries, while demand for tea is highly income and price elastic, there is a potentially large market. Many of the countries, however, restrict tea imports while there are considerable imports of beverages other than tea from outside the region. In 1966, the ECAFE countries imported about US$ 125 million worth of coffee and other beverages from outside the region. In principle, some of these imports from outside could be replaced by tea from regional exporters.

The region's tea exporters might thus derive considerable help in the longer run from the removal of all restrictions on imports of tea in regional countries, provided that there is a continuance of restrictions on the imports of beverages from outside the region.

Coconut products (051.7(1), 221.2 and 422.3)

Between 1961 and 1965, the ECAFE region produced, on average, more than 80 per cent of the world output of coconut and copra and shipped over 75 per cent of the world exports of coconut oil, copra, and kindred products. Among the ECAFE countries, the Philippines is the largest coconut producer, followed by Indonesia, Ceylon, India, Malaysia and Thailand, in that order. The region's output of coconut oil, however, does not exceed a quarter of world production.

The bulk of the region's exports go to destinations outside the region, intra-regional trade being relatively unimportant. Shipments from the Philippines go almost entirely to the United States (where they enjoy preferential treatment) and to Eastern Europe. The most important segments of the intra-regional trade in this particular commodity are Malaysia's exports to Japan and Ceylon's exports to India and Pakistan. Imports of copra into the developed ECAFE area have moved on a strong upwards trend during the last ten years or so. The reverse, however, is true of the developing countries of the region, owing to attempts at import substitution.

The development of intra-regional trade is an urgent necessity for the main coconut exporters of the region. The preferential terms enjoyed by the Philippines in the United States are going to come to an end. For Ceylon and Indonesia, an enlargement of the market will allow investment in additional capacity: Ceylon's exports of copra and coconut oil have been declining, in part because of a rise in domestic requirements, and Indonesia's exports were halved during 1956-1965.

Prices have remained high or have risen and the high prices have encouraged the substitution of other oils for coconut oil. Coconut oil is replaceable to varying degrees in both its food and non-food uses by other oils and fats, the principal competing oils being soybean, groundnut, cotton seed, and palm oil. Among animal oils and fats, lard, marine and whale oils also compete with coconut oil in many uses. Projections made by FAO indicate large increases in the world supply of many of these substitute oils. A study by FAO anticipates that the developing countries will face increasing difficulties in maintaining their exports of vegetable oils, including coconut oil, in the traditional markets in North America and Western Europe. Coconut oil is also losing ground to petroleum-based synthetics.

The ECAFE countries which depend on exporting coconut products must therefore turn to new markets. While they have to explore the markets of Eastern Europe, the largest scope for expansion lies in the developing countries of the region itself. Consumption of oils and fats is still very low in the region and demand is highly elastic with respect to income. Trade is, however, restricted by various barriers and many countries are developing domestic coconut production. Others are engaged in the production of substitute oils (e.g. palm oil in Malaysia). Even though the ECAFE region is the main producer and exporter of coconut oil, there is a certain inflow of oils from outside the region.

There seems to be a case for removing import restrictions on coconut products. Mere liberalization will not go far enough, but surplus and deficit countries may find it possible to agree, by way of plan harmonization, on sales and purchases of specified quantities at specified prices.

Sugar raw (061.1) and sugar refined (061.2)

Australia, India, Indonesia, the Philippines and China (Taiwan) are the five principal sugar-manufacturing countries of the region. It is a major export item for each of these countries, except India which is, however, self-sufficient. Philippine exports

are primarily directed to the United States and other countries outside the region. A large part of Australia's exports also go outside the region. Intra-regional trade takes place mainly between Taiwan and Australia as exporters and Japan as importer. Taiwan exports mainly refined sugar, whereas the exports of the Philippines and Australia consist of raw cane and beet sugar.

Only a small part of Japan's needs are met by supplies from ECAFE countries. In 1966, Japan imported about US$ 100 million worth of raw sugar from outside the region. Imports of refined sugar by the developing ECAFE countries from sources outside the region amounted to more than US$ 40 million in 1966. There is thus considerable scope for the development of intra-regional trade, initially through diversion of imports from extra-regional sources to intra-regional ones. In the short run, this would require increases of production. As regards the longer run, projections carried out by FAO indicate substantial exportable surpluses.

The world market for sugar has been suffering from excess supply and steep falls in prices. The opening of new markets among neighbouring trade partners would allow regional exporters to ward off some of the consequences of the possible world surpluses. This would indicate a general liberalization of trade in sugar, subject to over-all regional preference.

Spices (075)

Spices are grown almost exclusively in Asia. Commercially, the most important type is pepper, which constitutes about two thirds of the exports of all spices originating in the ECAFE region. The other principal varieties which occupy significant positions in the over-all trade of some other ECAFE countries are nutmeg, mace, cinnamon and chillies.

In 1966, world production of pepper was estimated at about 80 thousand tons. Of this total, over five sixths was produced by India (23.0 thousand tons); Indonesia (20.3 thousand tons); Malaysia (14.8 thousand tons); Ceylon (10.2 thousand tons); and Cambodia (2.0 thousand tons). Malaysia derived about 1 per cent of its total merchandise export income from pepper in 1965, and Cambodia, 2 per cent. In the case of both India and Indonesia, pepper represented approximately 1.5 per cent of their respective total exports. The share of pepper exports to total exports accounted for less than one per cent in Ceylon. Pepper production is characterized by violent fluctuations. In 1966, the aggregate output of these five countries was 70.0 thousand tons and in the 1962-1964 period, 63.0 thousand tons, an 11 per cent increase in 1966 over the average production of the previous two years. The bulk of this increase was provided by Malaysia (Sarawak) as a result of promotional measures by the Government to encourage new planting and to raise the rate of yield of the pepper plant.

World shipments of pepper totalled 89.3 thousand tons in 1966, of which ECAFE countries accounted for 58.5 thousand tons, composed as follows: India (24.9 thousand tons); Indonesia (20.3 thousand tons); and Malaysia (Sarawak) (13.3 thousand tons). Cambodia and Ceylon supplied 1.5 thousand tons and 0.3 thousand tons respectively. Singapore is an important re-exporting country.

Imports of pepper into the ECAFE countries have been rather small. In 1966, they constituted about 18 per cent of the pepper (in volume terms) entering international trade. Malaysia alone absorbed an amount of 12 thousand tons; but this figure covered imports from Sarawak. Japan and Hong Kong imported 1.4 thousand tons and 0.2 thousand tons respectively. Altogether, the three countries constituted a market of some 13.6 thousand tons.

It is doubtful whether intra-regional trade can be expanded by any considerable amount through any promotional or liberalization measures. Habits regarding the consumption of spices are not likely to change very fast, though they are likely to have higher income and price elasticities in the region than in the developed countries of the West. Quantitative and tariff restrictions could thus be removed easily. The main emphasis ought to be on co-operative effort among the chief spice-exporting countries to stabilize their market conditions.

As it is a crop exposed to the hazards of weather and plant diseases, there are heavy fluctuations in the year-to-year output of pepper. These affect prices significantly, since demand in the developed countries is inelastic with respect to price. Apart from their immediate effect on producers' incomes and export earnings, short-term supply and price fluctuations affect production in the longer term with a lag of roughly seven years. India, Indonesia, Malaysia, Cambodia and Ceylon would be the main countries interested in agreements on market sharing and production restrictions with a view to controlling prices.

Tobacco (121)

The important tobacco exporters among the ECAFE countries are India, Indonesia and the Philippines. India produces and exports leaf for cigarettes, whereas Indonesia and the Philippines specialize in cigar leaf. Japan, Thailand, Pakistan and Burma also produce tobacco, but they consume most of what they produce.

Most of the region's tobacco production is exported outside the region; at the same time, most of the imports of tobacco originate outside the region. ECAFE countries earned about US$ 60 million in 1966 from exports of tobacco to extra-regional countries, but spent US$ 45 million on buying tobacco from the rest of the world. This may not, however, be treated as the measure of possible trade diversion: flavour and blend are of paramount importance to demand and Asian tobaccos are not always acceptable as a substitute for American tobacco.

Tobacco is one of the commodities on which most countries depend for raising revenues; tariff reduction, therefore, would not be an acceptable proposal. The smaller producers, however, could co-operate with the major tobacco-exporting countries by converting import duties into excise duties. It should be added that intra-regional trade in this commodity (and, indeed, regional production) is affected by aid being given in kind, in this case in the form of United States surplus disposals under PL480.

Hides and skins (211), leather (611) and leather products (612)

Hides and skins constitute important export commodities for some of the countries of the region, but not in intra-regional trade. It cannot be said that there are good prospects of their importance growing significantly. Leaving aside Australia and New Zealand, whose products under this category are very different from those of developing countries, the region's exports are destined mainly for the developed countries of the West. Since the developing countries of the region are largely self-sufficient in these products, the removal of trade barriers may not generate much trade. By the same token, however, no country need have apprehensions about lifting restriction on imports.

Thus there does not seem to be any strong reason for maintaining quantitative and tariff restrictions on imports on any items belonging to the group. Lifting these restrictions would probably lead to the products of Australia and New Zealand finding larger markets in the developing countries of the region. This result would be wholly desirable if it were to act as an incentive for these two countries to offer favourable terms to products of the developing countries of the region.

The situation of leather and leather products is not very different. During recent years, the export of these products from the important exporters of this region (India and Pakistan) has increased greatly, but mainly to extra-regional countries. No country in the region enjoys a marked superiority in the quality of its leather, and the leather and leather products industry enjoys no economies of scale. There is thus not much likelihood of any one or two countries dominating the entire regional market in the short run if restrictions on trade are removed. On the other hand, competition is likely to stimulate the improvement of quality. These are not products for which any country requires protection.

Wood (242 and 243) plywood and veneer (631)

The developing ECAFE countries are largely self-sufficient in rough and shaped wood. Japan imports substantial quantities of wood from outside the region, but the needs of the developing countries are mostly met by regional supplies. The principal regional exporters are the Philippines and Malaysia; the chief regional importers, apart from Japan, are Australia, China (Taiwan), Hong Kong, the Republic of Korea, and Singapore, part of the imports of Hong Kong and Singapore being for re-export.

The extra-regional imports of Japan can be presumed to include qualities not produced in any of the countries of Asia; they come mainly from North America. The scope of diversion in this trade is therefore limited. The prospects of the intra-regional trade of the region therefore depend on the growth of trade between the main exporters and other countries that do not possess high-quality wood and yet do not, at present, import wood in any quantities.

The liberalization of import restrictions alone may not be enough in this case. To create a greater and more diversified intra-regional trade, the planned supplies and demands will have to be co-ordinated. The contracting parties of a possible economic agreement on wood would adjust their forest resources expansion and preservation plans and agree upon quantities of assured supplies and purchases.

Plywood and veneers occupy a special place in the trade in forest products. The region imports about US$ 20 million worth of these products from the rest of the world, the principal importers being Japan, Australia and Hong Kong. At the same time, however, the region exports a much larger volume of products of the same group to countries outside the region, the chief exporters being Japan, Taiwan, the Republic of Korea and the Philippines. There is thus every possibility of the region reaching self-sufficiency in these products through a more intensive intra-regional trade. The removal of import restrictions seems likely to benefit all countries.

Rubber (231) and rubber articles (621 and 629)

Intra-regional trade in rubber products is modest in volume and is confined to Japan's exports to the rest of the countries. Trade in natural rubber however is very much more important and involves more countries. The possible outcome of regional co-operation would be for the trade in rubber products

to replace the trade in rubber. The main rubber-exporting countries, namely Malaysia, Ceylon, Indonesia and Thailand, should be capable of manufacturing tyres and other products using rubber on a much larger scale than at present and exporting them to the remaining countries of the region. The establishment of rubber industries in the rubber-producing countries could be based on collaboration with some of the rubber-importing countries (e.g. Taiwan, India, Hong Kong, the Republic of Korea or Japan), and on trade in those products under preferential conditions.

In 1966, the ECAFE region imported nearly US$ 90 million worth of rubber products from outside the region: this gives an idea of the scope for import substitution following trade diversion. Moreover, of the imports from within the ECAFE region, 80 per cent originated in Japan; Japan's place could, in principle, be largely taken over by the rubber-producing countries themselves.

A certain amount of synthetic rubber is imported from outside the region and Japan exports synthetic rubber to regional importers. Regional co-operation between users and producers of natural rubber might thus also extend to the limitation of imports or the production of synthetic rubber.

Jute (264)

The two countries primarily interested in jute are Pakistan and India. Practically the whole of world production and world exports are accounted for by these two countries, Pakistan's share being much the larger. Intra-regional trade is, as yet, no more than a small fraction of world trade.

Jute illustrates vividly the disadvantages of uncoordinated import substitution and export production in different countries. India, since partition and the resultant jute deficit, and other countries (Burma, Nepal and Thailand) have been making great efforts to raise jute production to meet their own needs and for exports. This has tended to reduce intra-regional trade in jute at a time when the demand prospects in the traditional markets in the West are overshadowed by the introdution of new packing materials and new methods of handling. The over-all prospect for jute, in the long run, is one of depressed prices and falling export earnings.

A measure of consultation and co-ordination in price-setting has been brought about in the framework of FAO. If more far-reaching agreements can be considered, they would presumably envisage an increasing concentration of production, with provision for sales and purchases at agreed prices, linked to a liberalization of imports throughout the region.

Pulp (251) and paper (641)

In 1966, more than US$ 10 million worth of pulp was imported by the ECAFE region from outside, the biggest importer being Japan, followed closely by Australia and India. ECAFE countries supplied only one tenth of this amount, the chief regional supplier being New Zealand. New Zealand's exports go almost entirely to Australia. It has been suggested that the ASEAN countries[1] — Indonesia, Malaysia, the Philippines and Thailand — have the forest resources for a variety of paper industries. Exploitation of these resources can therefore generate trade in pulp and other paper-making material among these countries and between them and neighbouring countries — Singapore, Taiwan, the Republic of Korea, Hong Kong and, of course, Japan. The implied development will be helped by measures of plan harmonization, as the modern paper industry is highly susceptible to scale effects. The liberalization of trade in the raw materials would have to be agreed simultaneously. A removal of import restrictions on pulp is likely to have the desirable result of bringing New Zealand into closer economic relations with the South East Asian countries.

Paper also has hitherto played a minor part in intra-regional trade. In 1966, the region imported about US$ 200 million worth of paper and paperboard from outside the region. Both are, in principle, replaceable from regional sources, but this is not going to take place automatically as a result of trade liberalization, since no country can expand production very fast in response to market demand.

Cotton (263), cotton textiles (65) and clothing (84)

India, Pakistan and Iran are the three chief cotton-producing countries of the region. As an export item, however, cotton is important to the economies of other and smaller countries with smaller production, for instance, Afghanistan and Burma. The chief exporting countries in the region are Pakistan, India, Iran and Afghanistan. The greater part of the region's exports go to countries outside the region. Within the region, the chief importer is Japan and sizeable quantities of cotton are also imported by Taiwan, Hong Kong, India, the Republic of Korea and the Philippines. Only a tenth of the ECAFE countries' requirements of cotton, however, is met by imports from within the region. The most important extra-regional supplier of cotton to the region is the United States which disposes of surplus cotton under PL480.

The problem of cotton is further complicated by the competition of synthetic fibres. In 1966, the developing ECAFE countries imported about US$ 65 million worth of these fibres, about US$ 20 million

[1] Except for Singapore, which lacks forest resources.

being imported from outside the region. The remainder was obtained from Japan, the only exporter in the region. Many countries in the region are setting up their own synthetic fibre industries.

The potential scope for intra-regional trade in cotton is great. Developing countries tend to set up textile industries in the very first stage of industrialization, and cotton manufacturing has proliferated in most of the developing countries and will continue to do so. If infant industry protection is given, there is perhaps no country in the region that cannot set up its own viable textile industry, provided that it has access to raw material supplies. Cotton, the principal raw material, cannot however be grown in every country economically. If the continued expansion of textile production in all the countries must be taken for granted, it follows that there will also be a continued increase in the imports of cotton or synthetic fibres. Left to themselves, the cotton may come, as it does at present, predominantly from the United States and the synthetic fibre from Japan. Cotton-exporting countries would benefit from a removal of restrictions on imports into regional countries from regional sources, especially if restrictions on imports from outside the region were maintained or reinforced. The discontinuation of United States surplus disposals would further benefit regional exporters. Synthetic fibre production in the developing countries of the region may require protection, and joint ventures might be found useful in promoting investment and trade in synthetics.

The development of intra-regional trade in textiles and clothing may call for the institution of a two-tiered system of preferences. This would allow all countries of the region to be given preference over extra-regional suppliers, while the relatively less developed countries among the developing countries could be offered preferential treatment in the markets of the more developed countries without reciprocity.

Fertilizers, manufactured (56) and crude (271)

Every country in the region imports manufactured fertilizers from sources outside the region. The demand will continue to grow, as agricultural techniques are modernized and increasing reliance is placed on yield as a source of growth of agricultural output. Part of the import demand is met by regional exports, the chief exporter being Japan, but Japan itself has to meet some of her fertilizer needs by importing certain types from outside the region.

Except for Japan, none of the larger countries of the region is likely to have exportable surpluses of fertilizer in the near future. These countries will absorb any increases in their domestic production and still continue to import from outside the region. The possibility of producing surpluses for intra-regional trade exists in the smaller countries of the area which may find the minimum economic plant size too large for their immediate needs. They would be able to set up such plants only after reaching an understanding with some of the smaller neighbouring countries about market sharing.

In view of the shift from sulphur to ammonia as the base for nitrogenous fertilizers, such trade would originate in the petro-chemical complexes that may be expected to develop in the petroleum-producing countries or their near neighbours. There are, on the other hand, some countries which are increasing the use of phosphatic and potassic fertilizers rather than nitrogenous fertilizers. In general, the economics of the location of the fertilizer industry depends a great deal on the sources of raw material. Countries which refine petroleum, or which possess natural gas or crude fertilizers, are the obvious locations for the industry. The larger countries in this class will not have exportable surpluses, so that intra-regional trade will originate in the smaller ones. The ASEAN countries and Brunei meet the necessary technical and economic criteria and trade in fertilizer may be expected among them.

At present, the developed countries of the region are importing large quantities of crude fertilizer from outside the region. There seems to be scope for the diversion of much of this trade to regional sources, the most important among which is Pakistan.

Manufactured and crude fertilizer presents a typical case in which mere liberalization will not generate trade: what is necessary is economic agreement based on the plan harmonization approach.

Iron ore and steel scrap (281 and 282) and iron and steel (67)

There is vast scope for the expansion of intra-regional trade in iron ore, iron and steel. The region, as a whole, imports more than US$ 600 million worth of iron and steel from the developed countries of the West. There is, however, no shortage of iron and steel in the region: during the same period, its exports of iron and steel to the world amounted to about US$ 1,500 million, of which only about US$ 600 million worth of products went to the regional market. Japan is the chief exporter of the region, dominating the export market with its share of about 90 per cent. Australia comes second with a share of about 3 per cent. Among the developing countries, China (Taiwan), the Republic of Korea, Hong Kong, Singapore and India have emerged as minor exporters, most of their products going to the regional market.

Intra-regional trade in iron ore consists entirely of movements from India, Malaysia, the Philippines, the Republic of Korea and Thailand, to Japan.

Similarly Japan is the only market for the intra-regional exports of scrap, coming from Hong Kong, India, Malaysia and Australia.

It is clear that, given regional preference, Japan could replace practically all extra-regional supplies of iron and steel to the regional countries. If such trade diversion were to take place, it would result in a swelling of the flows of iron ore to Japan and of iron and steel from Japan to most of the countries of the region. Apart, however, from the countries which are already exporting iron and steel, new areas are likely to make their appearance in the iron and steel map of the region. Studies have established the feasibility of iron and steel plants (of moderate size to begin with) as joint enterprises in the ASEAN countries, as well as in Iran and Pakistan. If these developments occur the intra-regional trade in iron ore (and other raw materials) as well as in iron and steel would grow.

Plan harmonization within sub-regions seems to offer the best basis for the development of iron and steel industries in smaller countries. Pending such schemes, regional preferences, including a freeing of imports from regional sources, seem to be the best contribution of policy to regional development.

Non-ferrous metals (68), non-ferrous metal ores (283)

Non-ferrous metal ores are exported by India, Iran, the Republic of Korea, Malaysia, the Philippines, Thailand and Australia. Half of these exports go outside the region, the other half goes almost entirely to Japan. Only a little more than one half of the region's needs of non-ferrous ores is met by regional producers, though the developing countries satisfy their full requirements from these sources. The value of non-ferrous metals imported by the region as a whole from extra-regional sources exceeds US$ 400 million, the share of the developing countries being about US$ 150 million. The region however also earns more than US$ 400 million from its extra-regional exports of these metals. There is thus considerable scope for the expansion of intra-regional trade in both non-ferrous ores and metals.

The principal metal-exporting countries are Malaysia (tin), Australia (zinc, copper, lead and aluminium), Thailand (tin), and Japan (aluminium, copper, zinc). The extent to which non-ferrous metals imported from outside the region can be replaced by regional products needs to be investigated: the many metals thus grouped together are not all substitutes for each other. There is however little doubt that it would be rational policy to set up metal-processing industries as joint ventures in the ore-exporting countries with the concomitant liberalization of import restrictions in the regional market, the whole of which could be subject to regional preferences.

Crude petroleum (331) and petroleum products (332)

In this group of commodities, the development of production and trade could be expected to lead to a partial replacement of the present trade flows of crude oil by petroleum products and to new flows of crude oil and petroleum products from oil-producing countries to non-producers. Whatever its composition in terms of crude and refined products, intra-regional trade in this group of products is bound to increase, because exportable surpluses only exist in Iran, Brunei and Indonesia while demand for petroleum products will grow steeply in every country.

At present, practically all the intra-regional trade in crude oil originates in Iran. The entire volume of Brunei's exports goes to Sarawak in Malaysia, presumably to be refined into products which are then exported through Singapore to various neighbouring countries. Part of Iran's exports of petroleum products also passes through Singapore, while another part is distributed directly.

In 1960, the region enjoyed an over-all surplus in petroleum products but, by 1965, this had turned into a deficit. Since then, the region has been importing considerable volumes of both crude and refined petroleum from outside the region. There is thus considerable scope for diverting the region's purchases to the regional petroleum producers. The development of petroleum-based products in petroleum-importing countries seems a suitable subject for the joint ventures and will give rise to further trade.

Light engineering

Light engineering products may be defined, for convenience, as consisting of the following SITC categories: metal tanks, boxes (692), wire products (693), steel copper nails, nuts etc. (694), tools (695), cutlery (696), base metal household equipment (697), plumbing, heating etc. (812), furniture (821), travel goods (831), plastic articles (893), and office supplies (895).

Japan is the dominant producer and exporter of this range of products but other countries, namely Hong Kong, Singapore and Taiwan, have developed specialization in these products. Singapore's exports are mainly to neighbouring ECAFE countries, but Hong Kong and Taiwan export their products to extra-regional markets. Hong Kong exports of light engineering products include re-exports, but presumably to a lesser extent than those of Singapore. India exports a much small amount of these products and the same is true of Australia. India and Australia are net importers of these products, as are all other countries of the region except Japan, Taiwan and Hong Kong.

The large scope for the expansion of intra-regional trade in these products is conditional on the removal of protective barriers. It may be necessary for the developing countries in the region to retain some protective barriers against Japan, and it may also be unavoidable that the less industrialized countries of the region retain some tariff barriers against the more industrialized countries of the region. There is little reason for these barriers to be reciprocal, nor is there any strong reason for maintaining barriers among the more industrialized countries or among the remaining developing countries.

Liberalization along these lines may lead Japan, China (Taiwan), Hong Kong, Singapore and India to dominate the regional market. Pakistan, Iran and a few others might also emerge as serious contenders, under the stimulating effect of competition. There seems no reason why such a possible pattern of exports should inhibit liberalization. Rationalization of production cannot proceed without advantage going with specialization.

Precision instruments, sound recorders, etc. (86 and 891)

Included in this group are: professional, scientific and controlling instruments, photographic and optical goods, watches and clocks, sound recorders and reproducers. The only country in the region that has acquired competitive standards in these products at the world level is Japan. It alone exports around US$ 250 million worth of these products, whereas all the developing ECAFE countries together export only about US$ 20 million and Australia around US$ 10 million.

The developing countries that have started exports in minor quantities are Hong Kong, India and Singapore. A part of Hong Kong and Singapore's exports must really be re-exports and as such, there is not very much of an intra-regional trade pattern to be studied.

Given regional preference, Japan's exports to the region would greatly increase. It is to be considered how much and what kind of protection the developing countries of the region should adopt against Japan. There are arguments for a removal of quantitative restriction while maintaining tariffs as infant industry protection. The rest of the countries might then trade freely in these products among themselves.

Machinery and transport equipment (7)

The development of intra-regional trade in these capital goods (various types of machine and transport equipment, including railway rolling-stock and motor-trucks and cars) is capable of playing a central role in the growth of the regional economy. Many of the imports of these products are non-competitive in the strict sense of the word, not only individually at the country level, but also at the regional level. Dependence on these products for development purposes lies at the root of the developing countries' dependence on the developed countries of the world. Import substitution of these goods, therefore, is ultimately the only way of emanicipating the developing countries from this dependence. There can be no question of replacing all the imports in this group of products by regional products, but a gradual replacement is the key to the role which intra-regional trade can play in the growth strategy of the region.

Japan alone supplies more than 75 per cent of the intra-regional exports. Small flows of exports have, however, started in Taiwan, Hong Kong, India, the Republic of Korea, Malaysia, Singapore and Pakistan. Australia has a place in this group. Its intra-regional exports of these products are less than a tenth of Japan's but are several times greater than those of any other regional exporter except Singapore whose exports, like those of Hong Kong, contain significant elements of re-exports.

If Japan and, possibly, Australia also, were to enjoy regional preferences, other countries would have to protect themselves if they were to develop industries of this type and sell their products in the regional mraket. There are specific items in which certain countries have acquired a competitive position vis-à-vis Japan, but, by and large, Japan enjoys an overwhelming advantage in most products of this group and also in its capacity to back its exports with credit and ship them in its own vessels. A strategy of trade liberalization in some of these products is likely to require production and market-sharing agreements. This applies to capital goods industries which require large investment and the development of skill in operatives and managers, and are operated under conditions of economies of scale which are significant relative to the size of individual markets. Where these conditions do not characterize production, trade between the semi-industrialized countries of the region could be freed, provided that some protection against the highly industrialized economy of Japan were retained. Those other countries which cannot set up these industries, except on an uneconomic scale, do not stand to lose anything by removing restrictions on imports of these products from within the region.

Chapter VI

SOME BEGINNINGS

While it is true that the countries of the region as a whole have not yet entered into any comprehensive agreement, there have been the beginnings of arrangements of various types. There is thus the example of a free trade area between Australia and New Zealand, of a sub-regional grouping in ASEAN and of commodity arrangements in the Indo-Ceylon tea agreement and the Asian Coconut Community. The Regional Co-operation for Development (Iran, Pakistan, and Turkey) and the India-United Arab Republic-Yugoslavia trade agreement are further important instances, each involving countries inside and outside the ECAFE region.

Association of South East Asian Nations

The first attempt at sub-regional grouping on the part of developing countries in South East Asia was MAPHILINDO, an association of Indonesia, Malaysia and the Philippines. The second attempt was made in 1961 when Malaysia, the Philippines and Thailand formed the Association of South East Asia (ASA). The association did not adopt any charter or by-laws, did not establish any permanent staff and no financial provisions were made for it. It amounted to no more than a "forum for discussion of mutual problems". In 1967 it was superseded by ASEAN in which Indonesia and Singapore joined with the former members of ASA. This association is in the process of studying the feasibility of a definite programme of partial or complete integration. The member countries are examining various possible fields of joint action and the forms of such co-operation.

Because of the lack of complementarities among the member countries, their heavy dependence on primary exports to the developed countries, and the fact that the base level of trade among them is a very small fraction of their trade with the rest of the world, gains from immediate trade liberalization are unlikely to be significant in the short run. Plan harmonization (partial, not comprehensive), has therefore been emphasized by the member countries. The second Ministerial Conference of ASEAN, held in 1968, set up a number of permanent committees to go into various fields of possible collaboration. Thus, there are committees for (a) food production and supply, including fisheries, (b) civil air transportation, (c) meteorology, communications, etc. and (d) shipping. There are proposals for joint investment projects regarding steel, petro-chemicals, synthetic fibres, plastics, a news-print industry and an ASEAN shipping line, and certain criteria have been agreed upon for the selection of projects. Standardization of customs procedures in another item on the agenda. The approach so far has been one of partial integration proceeding by individual projects, but the idea of a limited free trade area has also been put on the agenda.

The association was formed too recently to allow any evaluation of its success. On *a priori* grounds, however, the chances of success of this type of partial integration are high. The countries are not distinguished by very uneven levels of development and their economic potentials are such that judicious plan harmonization could indeed lead to the development of complementarities and provide a sound basis for the development of several industries. The sub-region has such valuable foreign exchange earners as rubber and crude oil; the rice surplus of Thailand could guarantee the sub-region self-sufficiency in food; and the mineral resources (bauxite, tin ore, iron ore, petroleum), the forest resources (timber, pulp) or the plantation resources (rubber, coconut) could provide the basis of manufacturing industries which cannot develop now in the small markets of individual member countries. At present, the bauxite of the region is the main raw material support of the aluminium industry of Japan and the high quality logs of Malaysia and the Philippines are supplying the timber and plywood industries of Taiwan. The inclusion of Singapore in the group is an important strengthening factor because of its major port facilities and shipping links with all parts of the world.

The effect of sub-regional groupings on the economic interests of the region as a whole should not be lost sight of. It would be no great benefit to the region if raw material supplies to non-member countries (e.g., timber to Taiwan) were reduced as a result of their sub-regional use. Trade diversion through the use of tariffs against non-member countries could lead to the retaliatory formation of other groups. Such a danger is greatest where the policy of the group has a significant effect on the economies or the projects of third parties. Co-operative development of sub-regional groupings will thus have to be steered so as to minimize difficulties of this type.

Regional co-operation for development

Greater progress is reported to have been made by the other sub-regional grouping, the Regional Co-operation for Development (RCD), a tri-partite agreement between Iran, Pakistan and Turkey, which was

formed in July 1964. RCD reports significant strides in the short period of its existence; it has defined its scope of work, adopted its organizational shape and established certain basic infrastructural facilities and institutional arrangements. The organization considers that it has passed from the stage of planning and preparatory work to the phase of implementation, especially in the field of joint industrial ventures.

During the first two years of RCD, large industrial projects for aluminium, carbon black and bank-note paper were worked out in detail and approved for implementation on the basis of joint equity participation and production sharing. Furthermore, feasibility studies are in progress in the fields of heavy engineering, petro-chemicals and ship building. The focus is thus on capital goods and intermediate products. About fifty industrial projects have been approved in principle for development on the basis of joint enterprise. They include locomotives, cotton linter pulp, kraft paper pulp, jute manufactures, wire and cables, ball bearings, textile machinery, electronics, machinery for tea industry, earth-moving equipment, tungsten carbide, machine tools, major components and assembly of motor vehicles, centrifugal and special filters for chemical industries and diesel engines. Co-operation in the field of petroleum is a major objective. Measures are being taken for the exploration, drilling, exploitation, refining, transportation and distribution of petroleum and natural gas in the region. The Izmir Oil Refinery Project is developing according to plan, while the construction of a pipeline to carry oil from the Iranian fields to a Mediterranean port in Turkey is also under study. Further, Iran and Pakistan are considering the possibility of jointly exploring and exploiting the oil in the Mekran area. Steps are also being taken to set up filling stations in the border areas.

The RCD Regional Planning Council laid down the following general criteria to govern the establishment of joint-purpose enterprises: (a) products of such enterprises established in a particular country should be sold to other member countries at internationally competitive prices; (b) in determining projects for regional development, priority should normally be given to the establishment of industries which require a market larger than any one member country can provide; (c) technical expertise and personnel required for developing and running joint enterprises should be secured as far as possible from within the RCD region; (d) attempts should be made to secure for each member country over a period of time a reasonable share in the benefits from the establishment of joint-purpose enterprises, and (e) arrangements should be made to incorporate approved joint-purpose enterprises in the several national development plans which would thus be reviewed and modified from time to time.

The tentatively agreed joint ventures under the RCD are notable for the flexible country-participation in projects, for the extent to which individual projects have been made self-contained and for flexibility in fixing the duration of ventures. These features of RCD are likely to permit a rapid start in co-operation.

Although RCD consists of three countries, development of joint ventures on a bilateral basis are allowed and encouraged. In so far as negotiations often advance more readily on a bilateral basis, this practice imparts greater flexibility to co-operation.

Equity-sharing has been combined with market-sharing in each project. Benefits from regional co-operation can thus be distributed to some extent on a project-by-project basis. This allows co-operation in individual projects without involving a full agreement on sectors or sub-sectors, let alone comprehensive plan harmonization. For success, however, it requires that joint venture projects are distributed more or less evenly among the countries.

Market-sharing agreements may be for relatively short periods, say five years. Even a short-term agreement would enable a country to set up plants of a more economic size than it could afford on the sole basis of home needs. By the time that the market agreement comes to an end, home needs would presumably have grown enough to justify the selected size of plant. This suggests that increasing division of labour over time is not absolutely necessary to ensure gains from regional co-operation at present. The long-term goal of diversification may not necessarily be compromised by postponing import substitution in certain lines for a period of time until a plant of an economic size is justified by home market demand alone.

There is also evidence of progress in trade. The Agreement on the RCD Union for Multilateral Payments was signed at Ankara in April 1967. These payments are confined to major civilian trade settlements; invisibles, payments for border trade and war materials are excluded. There is provision for credit of up to US$ 2 million. Commerce Ministers are supposed to meet and discuss ways of removing intra-regional trade barriers.

In the field of transport and communications, a RCD Shipping Service started operations on the intra-regional route in May 1966 and a direct sea link was provided for the first time between Pakistan and Turkey. Direct service was interrupted by the closure of the Suez Canal, but the RCD Shipping Service has continued to serve the intra-regional trade through transhipment whenever a direct sailing via the Cape of Good Hope is not possible. There are also the beginnings of rail, road and air links.

An examination of the economic structure of the three RCD countries reveals remarkably similar patterns of manufacturing. Advance in industries, such as cotton and woollen textiles, sugar, edible oils and cigarettes, has been extremely rapid in all three countries during the last decade. In general, import substitution in manufactured consumer goods has already been carried far.

Intermediate products and capital goods are relatively less developed in the RCD region and dependence on imports of these products is consequently much heavier. The annual combined value of machinery and transport equipment imported into the RCD countries is in the neighbourhood of US$ 800 million and constitutes over 35 per cent of total imports. Imports of iron and steel, chemicals, and fertilizers are large in all three countries. Demand for all these heavy industrial goods is expected to grow rapidly and the industrial plans of Pakistan, Iran and Turkey place major emphasis on these products.

From the point of view of regional co-operation, it may be reckoned an advantage that Pakistan and Turkey have already achieved a degree of self-sufficiency in light consumer goods. The characteristic features of these industries (relatively low capital and skill requirements, large employment effects and limited economies of scale) render them manageable and economical for development on a national basis. In contrast, the heavier and more complex industries, such as certain types of steel, engineering, aluminium, fertilizers and petro-chemicals, all of which the RCD countries are now stressing, are precisely the industries in which economies of scale are important and advanced technological skills and large capital investments are required.

The success of the RCD may be credited to the comparable levels of development of the three countries and to the choice of partial plan harmonization proceeding by projects as much as to their geographical contiguity and close cultural ties. The irrelevance of geographical continguity in this particular case is underlined by the fact that inadequate land routes force much of the trade between the countries to move round the Cape of Good Hope.

The difference in approach between RCD and ASEAN should be noted. In the former, the projects are developed by sectoral committees and are then examined by the Regional Planning Council in which the three planning organizations are represented. Projects are thus capable of being fully integrated into national development plans. In ASEAN, however, projects are considered more or less independently. Recently, the planners of the countries concerned have tended to meet and discuss their development plans in relation to each other and this process may lead to greater harmonization of their plans. However, without a permanent co-ordinating body like the RCD Regional Planning Council, a mutually consistent and mutually supporting arrangement between the regional projects and the national projects, or even between the regional projects themselves, may not be easy to evolve.

India-United Arab Republic-Yugoslavia Trade Agreement

This agreement does not really fall within the purview of ECAFE regional arrangements because two of its three signatories are non-members of the Commission. They are not even contiguous with or near to India which alone is a member of ECAFE; each of the extra-regional partner countries is far away from the other and in a different continent. It is precisely for this reason that this agreement is of particular interest to the present discussion. It has direct bearing on the question of how much importance is to be attached to geographical contiguity or cultural affinity and how much to the economic criteria of comparable levels of development and the presence of actual or potential complementarities. It goes without saying that no co-operation is possible without the will to co-operate, but the importance of geographical or cultural nearness in giving rise to this will can be easily exaggerated.

India, the United Arab Republic and Yugoslavia, three countries which found much in common in their foreign policy of non-alignment, signed a "Trade Expansion and Economic Co-operation Agreement" on 23 December 1967. The main features of this agreement are special tariff concessions to be exchanged in favour of goods specified in a "common list" and originating in any one of the participating countries. The margin of tariff concession to be given was fixed at an initial rate of 40 per cent of the effective m.f.n. rate. The rate was to be increased progressively. Another important feature of the agreement is that it has been kept open for accession by any developing country member of the so-called "Group of 77". The commodities included in the "common list" ranged from food products, such as dried vegeatbles, to products of engineering industries, such as steel bars and rods, rails, tubes and pipes, tools and implements, and also included products of light industries, such as perfumery, tyres and tubes, and footwear. It is too early to form any judgment as to the results that have been achieved by virture of this agreement. On *prima facie* grounds it may be said that this agreement may give rise to one of the most successful cases of co-operation in the matter of trade. Apart from trade, the three countries propose to co-operate also on industrial and other projects.

Ceylon-India agreement on tea

The agreement on tea which was recently contracted between Ceylon and India could be treated as a model for commodities that are prominent as foreign exchange earners in the region.

The first meeting between India and Ceylon took place in New Delhi in September 1967, when the possibility of evolving a common approach between the countries for the development of their respective tea industries in a mutually advantageous manner was discussed. A fair measure of agreement was reached on a common approach to the basic issues affecting world supply and demand, particularly the prices and unit value of exports, as well as on promotion for increasing tea consumption. The second meeting (Colombo, January 1968) decided on the formation of an Indo-Ceylon Tea Consortium.

The objective of the proposed consortium is of course to increase the over-all exports of Indian and Ceylon teas in all its forms and, in particular, to increase the convertible currency earnings from them so as to ensure a fair and equitable return to the tea growers of both India and Ceylon.

With a view to attaining these objective, the consortium is to engage in the following activities:

(a) to market both loose and packaged teas in all forms (either pure Indian or pure Ceylon or blends of these two) outside India and Ceylon and to enter into trading operations in tea for this purpose;

(b) to establish blending and packaging units in foreign countries and, wherever necessary, in collaboration with their nationals;

(c) to promote sales of packaged teas and

(d) to carry out market surveys and research in product development.

It was decided to set up a working group to finalize the memorandum and articles of association of the Consortium and to define objectives, functions, financial and administrative structure and scope of operations. The following guidelines were suggested for the Working Group:

(a) the Consortium would consist of firms or organizations operating in each country;

(b) the Board of Directors of the Consortium should be nationals of either country;

(c) provision should be made for the appointment of a Government representative from each Government on the Board and

(d) the Chairman and the Vice-Chairman of the Board should be elected annually in rotation from India and Ceylon.

The Consortium is to receive fiscal, financial and legal support from the two Governments, including, if necessary, equity participation. It was recognized that, for their international operations, it may be necessary for the two Governments:

(a) to underwrite any losses in the initial stages;

(b) to grant tax incentives;

(c) to give financial assistance for promotional activities and

(d) to provide the necessary foreign exchange facilities and credit facilities from financial institutions and banks.

The Consortium is to become a commercially viable unit in the shortest possible time and special tax and fiscal concessions should, therefore, be limited to a period of five years from the date of commencement of its business. These concessions would however be subject to periodic review by the two Governments.

The Consortium has not yet come into operation. The understanding which has been reached between the two countries has, however, helped them already to take a common stand on world market prices of tea. The ground for wider co-operation between India and Ceylon has thus been prepared.

Other country groupings

The only fully fledged free-trade area in the ECAFE region is that brought into being in January 1966 by Australia and New Zealand. Items running into hundreds have been included in the schedule of goods on which duties are to be reduced. In view of the very close trade interdependence of New Zealand and Australia, the close cultural ties between the two, and their geographical nearness, there should be mutual advantages in close economic collaboration between the two. The lessons that developing countries can derive from this particular experiment, however, are not many because these two countries are too special a case and too different from the remainder of the region.

Indonesia-Pakistan Economic and Cultural Co-operation (IPECC) has an organizational structure similar to that of certain RCD organizations called the Joint-Purpose Enterprises. The IPECC Committee on Industry is authorized to set up sub-committees for dealing with individual projects or other matters of substance. The reports of the Sub-Committees are considered in the first instance by the Committee on Industry. The reports of the Committee on Industry are considered by the Regional Planning Council whose recommendations are subject to approval by the Ministerial Council, as in the case of RCD projects.

The IPECC Economic Council has designated several industries as suitable for joint ventures: jute; fish catching and processing; rubber-processing; metal-processing; the building of small ships and river-craft; and coconut oil. Not much progress in implementation has yet been reported.

The Asian and Pacific Council (ASPAC) has nine members, namely Australia, China (Taiwan), Japan, the Republic of Korea, Malaysia, New Zealand, Thailand and the Republic of Viet-Nam. This differs from the other country groupings mentioned earlier in that it is not confined to developed countries or to developing countries. The basis for the grouping appears to be, primarily, a similarity of outlook on political matters, because the Pacific is too vast an area to allow for a grouping of, for instance, Taiwan and New Zealand to be described as based on geographical considerations. The Council does not appear to have taken many concrete steps in any specific direction yet.

Mention may also be made of the bilateral agreement reached by the Republic of China and the Republic of Korea which covers the construction of two petro-chemical plants to supply the needs of both countries. The agreement involves a market sharing device, with the Republic of Korea supplying caprolactum and importing DMT from Taiwan.

Asian Coconut Community

The latest development in regional co-operation has been the agreement to establish the Asian Coconut Community. While the Asian Coconut Community will be concerned with all aspects of development of the coconut industry as a whole; development of better strains by selective breeding, agronomic research, trade, both domestic and foreign, and processing of coconut and other products of the coconut palm, it is the last aspect that falls mostly within the purview of the Council. Article 3(2) of the Agreement establishing the Community described the need in this area as follows:

> In the area of the processing industries, (the Community shall) study and seek ways and means of improving the efficiency and diversification of those industries so as to maximize the utilization of their industrial potential.

The Agreement also expresses the wish that the Community undertake research into all aspects of the industry, seeking the help of national and international organizations, and assist member States to intensify their own research activities by mobilizing both internal and external resources and technical assistance and by promoting the co-ordination of the research activities of member States. It also suggests that training programmes should be evolved for the training of appropriate personnel to meet the varying needs of the coconut industry.

Asian Development Bank

One of the major achievements of regional co-operation efforts has been the establishment of the Asian Development Bank, which was first proposed by the First Ministerial Conference on Asian Economic Co-operation in 1963. The charter of the Bank was approved by the Second Ministerial Conference in 1965. The inaugural meeting of the Board of Governors was held in 1966, with an initial membership of thirty-one countries, of which nineteen were from the ECAFE region and twelve from outside. The authorized capital was set at US$1,100 million, of which $965 million was subscribed by the member countries ($615 million by those in the region and $350 million by those outside). The Bank will grant loans for any feasible development project, but projects which have regional implications will enjoy priority over national projects. In addition, there is provision for the creation of a trust fund for granting soft loans.

Chapter VII

THE NEXT STEPS

The countries of the ECAFE region are poised for far-reaching moves in the field of intra-regional trading. A decade of continuous discussions and exchanges of opinion between experts and representatives of governments has clarified the issues and specified the alternatives and the means. The emphasis on greater urgency has been apparent during the past three years. It can be expected that major proposals will be evolved in the course of 1970.[1] These initiatives will have to be continued until the major decisions are taken and substantive schemes are launched.

The issue of unequal development

One reason why the developing countries have been more energetic in obtaining concessions from the developed world than in coming to arrangements among themselves is the fear that preferential arrangements or integration among any arbitrary group of developing countries might perhaps distribute benefits unequally among the different member countries; it might, in some cases, perhaps benefit some countries only by inflicting losses on others. In the discussion of arrangements between country groups, mention is inevitably made of the problems which arise from the unequal developments of the group members and suggestions are made for escape clauses and special provisions. The variations among the patterns and degrees of development among the developing countries of the ECAFE region are, however, so great that any arrangement embracing all the countries might need more escape clauses than positive clauses if it were to be fair to all parties. Any arrangement that may be contemplated might gain in efficiency if the existence of these divergences were acknowledged and the problem looked at, not from the negative angle of exceptions and escape clauses, but from the positive angle of a general principle and special provisions. It may thus have to be considered whether the principle of special attention to less developed countries that is the foundation stone of the UNCTAD should not be extended from relations between developed and developing countries, as now defined, to relations between the relatively more developed and the relatively less developed among the developing countries. The question would of course arise, of how to classify developing countries according to their levels and patterns of development. The problem is no doubt difficult, at the conceptual level as well as at the level of inter-government relations, but working solutions can be found on criteria.

In this connexion, the following extracts from the Working Group report of 1963[2] is of interest.

> This might be done by making special provision for the least developed countries, which would be most susceptible, by allowing them to adopt a slower rate of trade liberalization. Another way to deal with the problem would be to attempt to correct the imbalance once it was seen to be developing. Countries which were tending to generate excessive surpluses could speed up the relaxation of their restrictions on trade with the countries [which were] tending to incur deficits. Deficit countries could be permitted temporarily to cease the removal of their quantitative restrictions, or even to reimpose them. These "reciprocity" and "escape" arrangements, as they are called in the LAFTA agreement, would be a satisfactory way of preventing the unbalanced growth of intra-regional trade . . .

It must now be added, however, that a smooth functioning of the "escape" arrangements is not among the most successful achievements in Latin America.

The issue of grouping countries

By definition, sub-regions contain smaller numbers of countries than the region as a whole and may thus be more manageable groupings. A sub-region might also mean countries with historical and cultural links. If the main difficulty of the ECAFE region lies in the unevenness of the countries in respect of their degree of development, however, the search ought to be for sub-groups of countries that are homegeneous from that particular point of view, irrespective of whether they are geographically contiguous or not. Historical and cultural links can as often lead to close ties as other factors. Geographical contiguity may not necessarily mean lower transport costs, as the existing transport network of the region does not take much account of the contiguity factor, being frequently based on the

[1] The National Units and the ECAFE secretariat are already studying concrete ideas for formulation of definite proposals in accordance with the Resolution on Strategy for Integrated Regional Co-operation (Third Ministerial Conference of Asian Economic Co-operation, December 1968) and as measures for adoption towards implementation of the growth targets of the Second Development Decade (E/CN.11/Trade/L.153).

[2] "Measures for Economic Co-operation", in ECAFE, *Regional Economic Co-operation in Asia and the Far East* (E/CN./11/641).

linkages of countries with the previous metropolitan market centres in the West. By ensuring that countries which enter into co-operative arrangements on a group basis be such that none of them starts with a serious advantage or handicap relative to others, it might be possible to avoid cumbrous special provisions and escape clauses which could militate against the very purpose for which the arrangement was brought about. It may thus have to be examined whether the formula should not be "regional sub-groups of countries" rather than "sub-regional groups of countries."

Whether sub-regional groups of countries or regional sub-groups of countries are being formed, interests of countries outside the group should not be ignored. The possibility that they might be ignored would be greater if the sub-groups were to establish customs unions but less if free trade areas were formed. If comprehensive arrangements of either type are being considered by the groups it should in any case be easier to agree on a free-trade area since this minimizes the danger to members of a deterioration of their terms of trade as a result of imports being diverted to high-cost sources within the group.

The issue of plan harmonization as a pre-condition for trade liberalization

The potential conflict between planned development and trade liberalization without preceding plan harmonization can be avoided if it is accepted that the two approaches of influencing market forces (trade expansion through plan harmonization) and giving them fuller play (trade liberalization) will not be competing alternatives for the same industries at the same time. Economic activities in a certain real economic context can be divided into two groups. In one, levels and patterns of production can change swiftly and easily in response to change in the prices. These are industries characterized by low capital-output ratios, short gestation lags and absence of any marked indivisibilities calling for large investments for any increase of capacity. There are others characterized by high capital-output ratios, long gestation periods and indivisibilities, which require large investments for any addition to capacity. Not only the so-called heavy industries, but agriculture, forestry, plantations, transport, communication, etc., belong to the second category of industries, whereas a large number of manufacturing industries, loosely called light industries, and various service industries, belong to the first category. Development experience suggests that market prices by themselves are not enough to lead to the development of industries of the second category. Recognition of this fact has caused governments in all countries to intervene in economic affairs to various degrees. Given infrastructural facilities, it has often been found that the play of market forces can bring about a vigorous development of the industries of the first category, but it may not be found, in all cases, that market forces can by themselves bring about the formation of the infrastructural facilities. Those industries, as well as infrastructural facilities that do not spring up solely in response to domestic market forces, are not going to do so in response to the forces of any bigger markets made possible by mere trade liberalization. For these industries, the approach of plan harmonization seems unavoidable. The pattern of these activities in a given country is largely determined by the government, but harmonization of the plans of different countries can result in large increases in efficiency through the selection of the most economic locations by preventing needless duplications, allowing plant of optimum size to be set up on the basis of guaranteed markets, and opening opportunities of specialization which are of crucial importance to developing countries which lack skilled workers and trained managers.

Feasible courses of action to expand trade

The three issues that have been described indicate the scope of the action that can be undertaken to promote intra-regional co-operation in trade. Within these limits, however, there lies a wide range of possible and realistic strategies. To illustrate the types of action that would be consistent with these conditions, one may consider a strategy consisting of several parts, each of which is realistic in the sense of having been adopted already in certain cases or of being under consideration in different countries. It is thus possible to show the compatibility between action on, firstly, the traditional exports of the ECAFE region, secondly, plan harmonization with trade provisions and, thirdly, trade liberalization.

Firstly, traditional exports such as tea, spices, jute and coconut products, could become the subject of special trade agreements. The Indo-Ceylon tea agreement and the Asian Coconut Community are examples of work in this direction.

Secondly, agreements on trade in certain products could be made part of agreements on the development of production in participating countries. Such partial plan harmonization, providing for the production of, and the trade in, certain commodities at different stages of production, could be envisaged for commodities and industries such as:

Commodity	*Industry*
rubber	tyres, tubes and other rubber products
pulp	paper
veneers, plywood, wood	timber products
crude fertilizers, crude petroleum	petroleum refining, manufactured fertilizers, petro-chemicals
iron ore non-ferrous metallic ores	iron and steel, non-ferrous metallurgy, light engineering, heavy machinery and transport equipment

Thirdly, products other than these subject to special trading agreements or partial plan harmonization could become the subject of a code or treaty of trade liberalization for acceptance by all the countries of the region. In the design of such a régime, it would be perfectly possible to take account of the uneven state of development of the participating countries and to avoid the consequences of arbitrary definitions of regions.

A régime of residual trade liberalization might thus be based on the search for giving preference to goods originating within the region over goods originating in any developed country outside the region. Such special arrangements could be extended, by way of inducement for a limited period, to developing countries which were not signatories of the code or the treaty, whether or not they belonged to the ECAFE region.

The objective of such a selective preferential treatment should be realized by a combination of general and conditional provisions.

The signatory countries could thus declare a moratorium on the imposition of tariffs and quantitative restrictions on any products. They could further agree to extend to all regional partners the preferences which they were already extending to partners outside the region.

The inclusion of the developed countries of the region in the regime could take, in the first instance, a form familiar from recent Australian practice: each developed country could offer a list of products on which it would proceed to remove all quantitative restrictions without requiring reciprocal concessions.

Differences in the state of development within the group of developing countries could be taken care of by the offer of non-reciprocal preferences to countries in the weakest position. While all member countries, developing or developed, might thus remove all restrictions on imports from these sensitive countries, each of the latter might be permitted to protect certain industries by the use of quantitative restrictions and tariffs. Further help could be given by all signatory countries in the form of government purchases of certain quotas of specified items from each of the sensitive countries.

If the principal of non-reciprocal preferences were accepted it should not be difficult to reach agreement on the industries that were to be protected by the developing countries against developed member countries, or the industries which members in the least favoured position would be allowed to protect against the rest. The removal of trade restrictions among the general run of developing countries would be more complicated. A technique that might be found promising would be the exchange of request lists and offer lists, specifying items for which import liberalization would be offered or requested, followed by the assessment of offers and bilateral negotiations. The value to the recipient of formally similar concessions on different items would vary greatly, according to the domestic component of production cost and the expected additional sales; and there would also be great variations in the cost to the giver of similar concessions on different items, according to the volume of sales and the size of domestic production, if any. These differences would obviously be reflected in the list of offers and requests, and in the subsequent balancing negotiations. The technique could help directly in sorting out certain classes of cases. It might thus be possible to think in terms of exchanges of three lists: (1) products on which concessions are requested from partners without the offer of reciprocity; (2) products on which concessions are offered to partners without demanding reciprocity and (3) products on which concessions are simultaneously offered and requested. This procedure might bring into the negotiations an item which the producer feels he would be able to sell in a partner country (e.g. a particular type of textiles) without, however, being able to withstand in his home market the partner's reciprocal competition in the sale of substitutes (e.g. textiles in general). Ultimately, of course, discriminatory trade liberalization would depend on the availability of a sufficiently large number of competitive items to assure the desired balance of gains.

Financial arrangements

Conditions seem to be ripe for arrangements to take care of the financial aspects of more intense intra-regional trade. A clearing arrangement, for instance, is likely to offer benefits to all and losses to none. It would indeed be difficult to launch any broad

programme of trade liberalization without having the facility of at least a Clearing House; if a Payments Union could be established, benefits would be larger. The various aspects of the matter having been throughly discussed at the expert level, some kind of clearing arrangement, providing in the first instance for no more than one month's credit, could in practice be set up as soon as trade liberalization entered into effect.

Regional trade operational arrangements

A specific step that can be implemented immediately, and which can give results even in the very short run, is the setting up of operational regional trade arrangements. These arrangements might visualize each of the governments of the regional countries establishing a co-operative operations centre at one central place. The centre for any country would be fully furnished with the latest information pertaining to commodities which the countries export and import. The centre would receive quotations from domestic exporters and offers from domestic importers as a matter of routine and it should have the facility of telex communication with the relevant business houses and organizations. It should also be in possession of all commercial intelligence regarding tariffs and other restrictions and all the conditions attending upon trade with the country it represents. In short, the centre should be such as to arrange for a continuing search for matching demand and supply possibilities among the countries. Ideas for bilateral and multilateral agreement would also emerge on the spot, in the light of the demand and supply patterns and the conditions attending upon them. The centre could also be entrusted to act as intermediary for settling actual trade deals.

Part Two

CURRENT ECONOMIC DEVELOPMENTS

Chapter I

THE ASIA OF 1969

Nineteen sixty nine — penultimate year of the First Development Decade — was a year of mixed fortunes for the countries of Asia. In terms of the performance of national economies, output growth continued encouragingly for a second year: most countries in the region achieved rates of growth in national output greater than the target for the First Development Decade.

Beset by social and economic uncertainties and constrained by the slow-down in assistance receipts, both India and Pakistan faced difficulties. However, in Pakistan, a further step forward was taken towards increasing per capital incomes and in laying the foundation for significant advances in social welfare in the next Plan. In the case of India 1969 was a good year with an estimated growth rate of some 5 per cent in net domestic product although industry has not yet completely emerged from the recession.

Indonesia, one of the larger economies in the region, continued to achieve significant improvement. It is apparent that the runaway inflation has been brought under control. Given the understanding support of the major providers of assistance, there is reason to look forward to the emergence of a rapidly developing Indonesian economy during the course of the Second Development Decade.

Exports increased very satisfactorily in most countries. Only Burma, Cambodia and Ceylon, and perhaps Pakistan and India, may have fallen behind their 1968 performance. In such cases, however, the difference was marginal. Generally, the boom in exports was large in absolute volume; better prices for many of the primary products exported from the region helped to increase receipts. One of the most encouraging signs has been the continued increase in the exports of non-traditional (largely manufactured) goods from countries of the region.

Domestic economic conditions, however, were not so satisfactory, in spite of the statistical assurances of higher growth. Where reserves were small, uncertainties in the receipt of foreign assistance and fluctuating export proceeds often led to the undue restriction of imports. In some cases, too, the single-minded pursuit of stabilization cast a shadow of depression over the economy and constrained imports. Often, imports of the very products needed to build further productive capacity in the economy fell. The inadequacy of imports also inhibited the utilization of existing capacity. Although the situation is remediable to the extent that the stagnation of imports inhibited the creation of new capacity, valuable time has been lost.

Table II-1-1. Developing ECAFE countries: Annual growth rates of gross product

(percentages)

	Afghanistan	*Burma*	*Cambodia*	*Ceylon*	*China (Taiwan)*
1960–1967	1.9	2.7	4.5	3.8	10.0
1968	3.5			8.2	10.3
1969				7.0	8.3

	India	*Indonesia*	*Iran*	*Korea (Rep. of)*	*Malaysia*
1960–1967	3.2	2.0	7.5	7.8	5.7
1968	1.8	6.6	10.1	13.3	
1969	5.5			15.5	

	Nepal	*Pakistan*	*The Philippines*	*Thailand*
1960–1967	2.2	5.7	5.7	7.1
1968	6.6	5.2	6.4	6.5
1969			6.3	7.9

Sources: United Nations, *Yearbook of National Accounts Statistics*, 1968.
United Nations, *Statistical Yearbook for Asia and the Far East*, 1968. National publications.

Notes: Afghanistan: 1961/62-1967/68 GDP at 1965/66 market prices.
Burma: GDP at 1962 market prices.
Cambodia: 1960-1963 GDP at 1963 market prices.
Ceylon: 1960-1967, 1968 GDP at 1959 factor cost; 1969 preliminary.
China (Taiwan): GNP at 1964 market prices; 1969 preliminary.
India: NNP at 1960/61 factor cost; 1968 preliminary; 1969 February 1970 Budget Speech.
Indonesia: GDP at 1960 market prices.
Iran: GDP at 1959 factor cost.
Korea, Rep. of: GNP at 1965 market prices; 1969 preliminary.
Malaysia: GDP at 1964 market prices.
Nepal: 1964/65-1967/68 GDP at 1964/65 market prices.
Pakistan: 1960-1967 GDP at 1959/60 factor cost; 1968 GNP at 1959/60 factor cost.
Philippines: GNP at 1955 market prices; 1969 preliminary.
Thailand: GDP at 1962 market prices; 1968, 1969 at 1965 market prices, preliminary.
Calendar-year basis except as follows:
Afghanistan and Iran: year beginning 21 March,
India: year beginning 1 April,
Pakistan: year beginning 1 July,
Nepal: year ending 15 July, and
Burma: year ending 30 September.

Table II-1-2. Developing ECAFE countries: Total net official flows, 1965-1968

(in million US dollars)

	1965	1966	1967	1968	Official average aid (1966-1968) as percentage of imports of goods and services (1967)
Afghanistan	53.9	51.2	39.7	27.9	71.6
Ceylon	15.7	31.5	46.2	44.6	11.3
China (Taiwan)	67.5	60.8	85.6	65.7	8.0
India	1,286.7	1,225.8	1,354.3	993.1	43.8
Indonesia	42.9	81.5	248.5	291.0	25.5
Korea, Rep. of	220.4	209.2	261.5	287.2	23.7
Laos	68.2	68.5	73.6	60.5	217.8
Malaysia	34.4	47.2	39.9	59.8	4.0
Pakistan	523.2	411.6	535.2	491.7	35.9
Philippines	109.0	67.6	113.7	104.5	7.1
Thailand	46.8	53.6	60.9	70.3	5.8
Viet-Nam, Rep. of	315.7	508.7	448.4	445.1	54.3
Unspecified	22.1	24.6	20.1	27.2	
	2,859.3	2,903.9	3,414.3	3,043.6	
Overall total	6,646.9	6,861.4	7,267.1	7,080.4	
Official flows to Asia as percentage of total	43.0	42.3	47.0	43.0	
Official flows to India and Pakistan as percentage of flows to Asia	63.3	56.4	55.0	48.8	

Source: O.E.C.D.

Table II-1-3. Developing ECAFE countries: Export performance

(in million US dollars)

Country	Highest export value recorded from 1960 to 1969	1967	1968	1969
Afghanistan	73 (1968)	66	73	...
Burma	271 (1963)	123	111	108[a]
Cambodia	105 (1965)	83	89	64[b]
Ceylon	409 (1965)	348	342	315[c]
China (Taiwan)	1,087 (1969)	641	802	1,087
India	1,829 (1969)[d]	1,613	1,753	1,829[d]
Indonesia	1,015 (1969)	770	876	1,015
Iran	2,040 (1969)[a]	1,930	1,879	2,040[a]
Korea, Republic of	703 (1969)	320	455	703
Laos	3.3 (1968)	2	3	...
Malaysia	1,635 (1969)	1,217	1,343	1,635
Nepal	30 (1969)[a]	22	29	30[a]
Pakistan	720 (1968)	645	720	656[e]
Philippines	852 (1969)[f]	821	848	852
Thailand	709 (1969)	685	658	709

Sources: IMF, *International Financial Statistics* and national sources.

Notes: [a] 6 months at annual rate.
[b] 3 months at annual rate.
[c] It is estimated that export receipts for the year 1969 fell to a 15 year low.
[d] 11 months at annual rate.
[e] 9 months at annual rate.
[f] 10 months at annual rate.

A redeeming feature was that the smaller import bill, coupled with increased export receipts, enabled India, Malaysia and Pakistan to add to their external assets. Significant additions to external assets were made by China (Taiwan) and the Republic of Korea but, even at higher levels of trade, Burma, Ceylon and the Philippines continued to lose reserves, and Thailand, for the first time in a decade of uninterrupted accretion, drew on its accumulated reserves as a consequence of the continuance of the import boom at a time when exports were flagging and invisible earnings were fading away.

With the relatively comfortable external asset position, recourse to the IMF was limited during the year; net repayments were made by Ceylon, India and Indonesia.

The flow of external assistance gave cause for concern. Compounding the generally declining flow of assistance to the larger economies, the uncertainties of the flow increased the difficulties of planning for development. The stagnation of net official flows of foreign assistance which became evident during 1968 appears to have continued during 1969.

The impact was essentially on India and Pakistan. For well over a decade, these two large economies have been the recipients of a large proportion of the foreign assistance made available to Asia, although not in per capita terms. Total flows of foreign assistance to Asia appear to be diminishing, and this seems to be mainly a reflection of the fall in assistance flows to India and Pakistan. Indonesia and the smaller Asian economies have received assistance flows at increasing levels, permitting significant improvement in their economies. Some preferential treatment for them is due to many factors. Strategically-timed assistance on a massive scale is increasingly being recognized as desirable for many developing economies.

World flows of foreign assistant were unmistakably in the doldrums. Balance of payments problems in some donor countries were at best a partial excuse. The effect of the assistance programme on the balance of payments is not unmanageable for the donors,[1] and should be seen from the broader viewpoint of the benefits of such assistance both to the recipients and to the donors. The decade of foreign assistance that has elapsed, though historically a brief period, appears to have induced a climate of doubt concerning foreign assistance, resulting from the increasingly articulate demands of the underprivileged in some major donor countries and the burden of large-scale military expenditures.

During 1969, the world monetary situation remained in a state of uneasy calm. Occasional frenetic activity seemed to threaten the very founda-

Table II-1-4. Developing ECAFE countries: International liquidity

(in million US dollars)

	1965	1966	1967	1968	September 1969
Burma	181	184	155	152	138
	(38.1)	(60.6)	(65.0)	(70.6)	(92.0)
Ceylon	73	43	55	51	39
	(12.3)	(5.3)	(8.0)	(7.3)	(5.4)
China (Taiwan)	300	337	416	381	461
	(28.1)	(28.2)	(26.8)	(31.9)	(21.8)
India	599	608	662	682	890
	(10.7)	(11.2)	(12.3)	(14.1)	(22.7)
Korea, Rep. of	146	245	356	409	529
	(16.4)	(17.8)	(18.6)	(14.5)	(15.3)
Malaysia	449	470	457	515	664
	(21.3)	(22.1)	(21.9)	(23.1)	(31.9)
Pakistan	221	200	161	252	324
	(11.0)	(11.6)	(7.6)	(13.2)	(16.1)
Philippines	192	194	180	161	129
	(11.2)	(10.5)	(8.0)	(6.5)	(5.3)
Thailand	739	924	1,009	1,021	999
	(52.2)	(54.4)	(49.5)	(44.7)	(43.0)

Source: IMF, *International Financial Statistics.*

Note: Figures in brackets refer to volume of international liquidity in terms of weeks of current imports.

tions of the existing system, but the structure has survived. Increased co-operation between monetary authorities has helped stem the onslaughts on the system without removing the basic reasons for the occurrence of the strains.

The strain in the foreign exchange markets was without doubt the result of past shortcomings in the policies of economic adjustment in the national economies concerned. However, the attempt to attack the inflationary tendencies in the United States by restrictive monetary measures caused interest rates to rise to unprecedented levels in all the major money markets of the world.

The continued lack of adequate and effective adjustment in the major money markets of the United States and the United Kingdom continues to engender a state of flux. A state of continued stringency exists in the major money markets with no assurance that the speculation which forced the devaluation of the French franc may not be repeated elsewhere. Belated adjustments in some of the convertible currencies have bought time but no assurance that the speculative tendencies have been curbed.

The turmoil on the international monetary front had some effect on the developing countries of Asia. Higher interest rates in world money markets often induced increases in national rates of interest. More than that, the cost of foreign borrowing increased and the stringent monetary conditions in the developed economies made the increase in assistance flows more difficult.

The introduction of the Special Drawing Rights Facility in the IMF was an important and striking development in the international monetary sphere. It remains to be seen whether the amount allocated to this region will be adequate. A further feature of interest to developing economies was the provision for IMF drawings for the purpose of financing buffer stocks under commodity arrangements.

The agricultural breakthrough continued in most countries of Asia. The initial promise of the "Green Revolution" was not found wanting. Food production remained ahead of population growth in most countries and was reflected also in reduced imports of foodgrains. In India, and perhaps in some other countries, the process at present appears to have fulfilled expectations more in the production of wheat than in other crops, which have not yet risen to the extent required by the growth targets.

The "Green Revolution" has begun to have adverse effects on the main rice exporters of Asia. Problems of marketing a large surplus during 1970 are already causing anxiety in Thailand. It is not yet altogether clear whether the problem may at least partly stem from the price expectations of exporters. The export price of rice cannot possibly remain at the high levels of 1966 and 1967. In addition, alternatives to export taxes on rice need to be found as source of government revenue.[2] It is to be hoped that the search for an agreement on rice will help to stabilize the situation with fairness to both exporters and importers.

In many countries the "Green Revolution" appears to have outstripped the development of industrial capacity to provide the inputs required by the new technology. The immediate effect has been to increase the import bill; on the other hand, there is no doubt that the import saving achieved by reduced imports of wheat, rice and some other food commodities has been substantial. Where imports were being paid for out of free foreign exchange, the import saving has been immediate and considerable.

[1] "As important as the benefits provided directly to U.S. firms by A.I.D. financed activities is the fact that the *A.I.D. programme now has a positive direct impact on the U.S. balance of payments. . . .* In FY 1970 we estimate that the programme will result in a net inflow of $197 million." Agency for International Development, Programme Presentation to the Congress, Foreign Assistance Act of 1969, Proposed FY 1970 Programme, p. A-10 (emphasis in original).

[2] The export price of rice from Thailand reached a maximum of 3,534 baht per metric ton in 1968. This was 51.2 per cent higher than the average for the period 1963-1965. In 1969, export price fell to 3,100 baht per metric ton, 32.6 per cent higher than the average for 1963-1965.

The immediate impact of the fall in the rice export need not necessarily be on the producer. Export taxes on rice remain heavy. In Thailand, even the reduced rice export premium, which came into effect in December 1969, imposes a 37 per cent levy on rice (unbroken) and 42 per cent on rice (5 per cent broken). With the continuing change in the structure of the economy and the decrease in the revenue importance of the rice premium, there is added reason to use the rice premium more flexibly. In Burma, the margin accruing from the export of rice is shown mainly as profits in the operations of the Agricultural Marketing Board.

However, where food imports are available under concessionary assistance terms, the policy issues in achieving self-sufficiency become somewhat different. This is not to suggest that the policy of import-substitution in essential food is wrong; rather it is to suggest that, under specific circumstances, the order of priority in development might well be reconsidered. Unless there are pressing political and social reasons, priority might well be given to the building of an industrial base for the supply of inputs into agriculture. Import-substitute inputs (equipment, fertilizer and other agricultural chemicals) would then be available for the development of both food and non-food agriculture.

Problems of resource mobilization from the increasing incomes in the agricultural sector will require the exercise of political and administrative ingenuity in most countries in Asia. Where the increased agricultural production seeks export markets, the problem is easily handled through export taxes and the like, provided that such taxation does not price the commodity out of world markets. Where agricultural production is mainly for domestic consumption, a general increase in the use of measures of indirect taxation may be expected. A policy of subsidizing agricultural inputs may be more appropriate than the provision of incentives to producers through higher final prices. With increased availability of basic foodstuffs, a decline in their prices permits an increase in the real incomes of the mass of consumers.

Problems of domestic resource mobilization are likely to become more complex, given the need for resource mobilization from the growing agricultural sector. In some countries of Asia today, this problem has been eased by the budgetary support provided by counterpart funds arising from commodity assistance. In the event such assistance is phased out, entire systems of taxation and the efficacy of the existing machinery of tax administration may well be subjected to a critical re-appraisal.

A reduction in the trade in food (particularly rice) would also imply a smaller volume of intra-regional trade unless trade in non-traditional commodities can be developed. Further progress in the expansion of intra-regional trade requires a general opening of markets and not one confined to particular categories of goods of interest only to a few countries. Even the granting of selective and reciprocal tariff or other concessions to intra-regional exporters would necessarily have to include a wide range of consumer articles of interest to countries which do not have a heavy industrial base.

With the slackening of assistance flows, an export orientation in development policy becomes a crucial necessity to continued development. An export programme, particularly in manufactures, has yet to emerge in many countries; the effort thus far has been to extend the process of import-substitution into exports. Despite the persistence of the barriers erected by the developed economies, some developing countries have clearly shown that satisfactory increases in exports can be achieved. If these achievements are to be sustained, a reorientation of the trade, aid and production policies of the international community will be required.

The move towards a greater share of manufactured products in exports will necessitate greater attention to domestic economic conditions in the future. Most often, the semi-isolation of the plantation sector insulated export prices from the effect of all but large increases in domestic prices. With industrial products, competitiveness in price is critical and, because the manufacturing sector is closely integrated with the rest of the economy, domestic economic conditions will have much more direct effect on export prices; under these circumstances, the effects of devaluation will at best be only temporary.

Such circumstances place a premium on the careful management of the economy and the avoidance of inflationary increases in costs; costs and prices depend largely on the skill with which resources are mobilized and used. A more open economy appears likely to follow success in exporting manufactured goods.

Policies of liberalization have, however, not been easy to implement. Stabilization programmes have often required freedom from the adminstrative controls which were blamed for having distorted prices and warped resource allocation. Most often, attempts at liberalization have become possible only with the availability of increased foreign resources for imports.

Internal regional disparities in development have raised difficulties. Problems of concentration of wealth and economic power have emerged in some countries. It is becoming increasingly apparent that the single-minded pursuit of economic development, to the detriment of social objectives, requires substantial modification.

The Second Development Decade opens with uncertainty. By the mid 1970s the "Green Revolution" will have gone beyond national markets in the search for export markets. To what extent agricultural development can be flexibly planned to satisfy national wants, and yet avoid embarrassing surpluses, remains to be seen.

On the other hand, surpluses might well be a temporary feature of a process in which output has an upper limit, given the technology, while consumption climbs inexorably upwards. If so, a decision to limit production for fear of a surplus would do irreparable damage for decades to come.

Patterns of trade are changing; given freer conditions of world trade, most developing countries in Asia should be able to participate more fully in the trade of the world community. Intra-regional trade is likely to continue to decline before it recovers. Progress in this sphere has been less than satisfactory during the 1960s, and it is to be hoped that the next decade will bring more purposeful efforts and better results.

The uncertainties of Viet-Nam cloud the entire picture. Disengagement from Viet-Nam is a stated aim of United States policy and may perhaps lead to a reduction in expenditure and procurement from a number of other countries in Asia. Apart from the effects of such a move on the economics of the defence of southeast Asian countries, the economic impact of the reduction in United States military spending will be undeniably severe in certain economies. Whether greater assistance flows will be substituted is uncertain.

The end of the conflict in Viet-Nam will likely be followed by large-scale efforts for the reconstruction of that ravaged country. Participation of other Asian countries in this reconstruction will permit a wider sharing of the stimulus of increased economic activity. Aid from the developed world for the reconstruction of Viet-Nam should be planned in conjunction with development assistance to the Asian participants in the joint effort. There is more reason now than ever before to link the post-Viet-Nam era and the Second Development Decade in a massive programme of reconstruction and development in Asia as a whole. The stage of development reached by most Asian countries is such that the extra effort in assistance, required at a strategic point of time to push them over the threshold to self-sustained development, is comparatively small and certainly well within the capacity of the developed economies to achieve.

The economic and social problems confronting the developing countries of the ECAFE region remain enormous. Continued rapid population growth demands serious attention in nearly every country in the region. Rapid urbanization has sharpened the contrast of great wealth amidst urban squalor; rural backwardness also continues to reflect the extreme inequalities of income distribution. In essence the broad problem facing the ECAFE countries in the coming decade is the achievement of an adequate rate of economic growth and at the same time ensuring that the benefits of that growth are widely diffused. Some of the important policy problems are common to the majority of the developing ECAFE countries; others are highlighted in the experiences of only a few. Several major policy issues are discussed in the sections which follow.

Trade and aid. Faced with the need to mobilize capital and to obtain sufficient foreign exchange in order to pay for the import of essential capital and intermediate goods, most countries depend on their ability to achieve an adequate expansion of their exports as well as upon their ability to attract and properly utilize foreign investment and foreign aid.

Although import substitution supported by import-licensing, tariff and non-tariff restrictions will continue, it is probable that the old assurance that this is the best way to achieve balance of payments stability and industrialization will increasingly be questioned. Often these policies have yielded negligible and perhaps even negative net savings of foreign exchange, because they have promoted industries which are themselves heavily dependent upon imported capital and intermediate goods and because they have retarded the growth of the export sector. Moreover, they have had seriously adverse effects on economic efficiency.

The region as a whole has experienced a decline in foreign aid flows in real per capita terms and, especially towards the end of the 1960s, debt servicing and repayment have become more burdensome. While emphasizing that what is true of the whole is not true of all countries in the region, it is nevertheless almost certain that these problems will become still more serious in the decade of the 1970s, if international efforts are not urgently initiated to cope with them.

Many of the countries in the region have experienced declining world prices for their traditional exports. In some countries that are heavily dependent upon the export of a single crop (such as Ceylon), this problem has been particularly onerous. There is, moreover, little likelihood that the market forces of the 1970s will make for a better economic environment for the majority of the traditional exports of the region.

Finally, despite the internal structural and institutional impediments to growth, all countries in the region have had their export prospects frustrated by the unwillingness of the developed countries to abandon the protection of their domestic agricultural and light-consumer goods industries.

The likely continuation, and in some cases exacerbation, of these problems suggests that the developing countries of the region will need to make even greater efforts to promote economic efficiency and even greater sacrifices in self-help. In most cases a major problem is not merely to achieve a sustained expansion of exports but to do so by developing new exports. Export diversification is inhibited by inflexibility in the structure of production; the develop-

ment of capacity to produce new exports will generally require specific incentives to encourage investment and channel it into export-oriented activities.

The adoption of two basic strategies may be suggested. First, it is desirable to appraise carefully the policies adopted by such countries as China (Taiwan), the Republic of Korea and Pakistan, which have resulted in export expansion. By the use of incentives for foreign investors, export promotion schemes, multiple exchange rate systems and various monetary measures, these policies have provided substantial incentives to non-traditional exports, mainly manufactures. The success of such policies invites the consideration by other countries of the possibility of their adoption.

The use of multiple exchange rate mechanisms could be expanded. Ceylon, Indonesia and Pakistan are already using such systems and other countries have shown a definite interest. Multiple exchange rates are no more discriminatory than are subsidies and taxes on exports and imports. Yet subsidies involve a use of public revenues that is rarely questioned, and taxes on trade for revenue purposes are in common use. The use of a multiple exchange rate system offers greater flexibility and has much to commend it, provided the grounds for discrimination exist. Furthermore, such a system makes it easier for a country in balance of payments difficulties to carry out an exchange rate alteration which, for political reasons, would be much more difficult with a unified rate.

The attainment of adequate export growth and diversification suggests also that foreign aid flows should be directed towards the removal of institutional barriers and other bottlenecks which prevent adequate flexibility in the structure of production in the economies concerned.

Another major way in which the international trade and financial policies of the countries of the region could change is in the adoption of regional policies of self-help to foster intra-regional trade and to overcome the difficulty of achieving adequate multilateral remedies. It has sometimes been said that the countries within ECAFE are too diverse politically, socially and economically to attain area-wide co-operation and that instead sub-area schemes may be considered as a first step. There are three major fields in which wider forms of co-operation could occur. First, the countries could consider the possibility of establishing regional trade and/or payments systems similar to those established previously in Europe and in South and Central America. The benefits would be a more rational development of production (particularly in new lines of activity) within the area, and an expansion of trade as the result of better credit facilities provided by some form of regional credit and payments system. Secondly, the developed countries of the region could co-operate in aid programmes within the area. One of the forms which this co-operation might take is regional extension of the Australian trade preferences scheme. Finally, the developing countries of the region could co-operate more fully in matters of general fiscal, monetary and balance of payments interest. For instance, they could adopt uniform incentives to private foreign investors in order to eliminate the present situation whereby each country competes with the others to attract foreign investment.

While many of the above suggestions involve the use of discriminatory measures, it is intended that the case for discrimination should be reasonably well established before action is taken and that all countries of the area will at the same time continue to press for multilateral solutions to their problems.

Financing government spending. In all countries within the ECAFE region, government sector spending has risen substantially during the past decade. The demands on the government sector continue to grow; it is generally accepted that this sector should build and maintain adequate infrastructural facilities, narrow the gap of widely divergent development among different regions within the country, attempt to provide some social services on a national scale, reduce the growing disparity in income distribution, and provide adequate incentives to desired lines of activity besides maintaining sufficient defence forces.

Apart from the problem of securing sufficient skilled personnel to plan priorities and to fulfil these tasks efficiently, the governments in the region are constantly confronted by the problem of finding the financial resources to permit an increase in government spending each year without generating excessive inflationary pressures.

With population growing in most of the ECAFE countries at some 2.5 per cent annum and with prices rising by 5 per cent and more per annum, government current expenditure has to rise by 7-8 per cent per annum to maintain existing standards of government services. The growth of the young non-working age population (that section of the population which is most heavily dependent on government services), the need to service recently-created capital works and the need for larger defence outlays increase still further the growth rate of government current expenditure. While there is considerable scope for rationalization and for expenditure pruning in all of the ECAFE countries, each would have difficulty in reducing the growth rate of its current government expenditure significantly below 10 per cent per annum.

Few ECAFE countries have managed to achieve income growth rates of 10 per cent per annum and, apart from brief periods when new taxes have been introduced, few Governments in the region have achieved revenue growth rates (both tax and non-tax) much faster than that of GNP. Consequently, almost all Governments have struggled desperately to avoid substantial dissaving. Against this bleak picture is the fact that government capital expenditure has been rising each year and, in many countries, is equal to 30 per cent or more of government current expenditure. A large part of this expenditure has to be financed either by borrowing at home or abroad or by foreign aid. In a number of countries heavy dependence has been placed on inflationary deficit finance, on foreign aid and, particularly in more recent years, on foreign borrowing. The arrangement of a sizeable and dependable flow of foreign aid is becoming more difficult, the growing problem of debt servicing is placing restraints on foreign borrowing and governments are becoming increasingly concerned with the distortive effects of inflation, particularly on resource allocation and income distribution. In consequence, the level of government fixed capital formation has tended to stagnate in several ECAFE countries (India and Pakistan, for example). The one alternative which has not been fully explored is the prospect of raising more domestic loan finance, particularly from the agricultural sector. Arguments confirming the difficulty of taxing agricultural income should not obscure the scope for raising loan finance from this sector provided suitable financial assets are made available and the rate of return is appropriate.

Just as it is desirable to adjust the rate of exchange with reference to the free market foreign exchange rate, so it is desirable to adjust the characteristics of the organized money market towards those of the unorganized money market if the role of the former is to be extended. Korean experience has demonstrated that, in any economy where inflation is a recurring problem and where the ability to invest in equities is limited by the small size of the corporate sector and by the dominance of closely-held corporations, a high rate of interest combined with appropriate saving instruments not only directs saving towards the organized money market but also increases the average propensity to save. Moreover, the concomitant high interest rates charged on loans have not discouraged investment activity. It would seem that greater efforts could be made to explore the scope for extending the role of domestic loan finance as a source of government finance.

Problems of land-locked countries. The latter half of the sixties witnessed a growing awareness of the international agencies of the need to give special attention to solving the difficulties of landlocked countries. The Convention on Transit and Trade of Landlocked Countries adopted by the United Nations Conference of Plenipotentiaries in 1965 and brought into force in 1967 constitutes the most significant beginning of positive international assistance in this regard.

Afghanistan, Laos and Nepal are the three landlocked countries in the ECAFE region (apart from Mongolia), and they also happen to be among the least developed of the developing countries in the region, with per capita income currently in the range of 70 to 80 US dollars. Speedy ratification of the Convention by the concerned transit states would greatly ameliorate the conditions for international trade and economic development of these landlocked countries. Equally important is the ratification of, and accession to, the Conventions on International Transport (CMR Convention, Geneva, 1956 and TIR Convention, Geneva, 1959) that are being increasingly adhered to by the European countries, in the light of the increasing transport of goods across the boundaries by road and rail.

Afghanistan has recently taken a commendable initiative in overcoming the difficulties of being landlocked. Presently the international trade links of Afghanistan are through the port of Karachi in Pakistan to the south and the railroad system of the USSR to the north. Apart from direct trade with the Soviet Union, transit through the USSR accommodates Afghan trade with East European countries and a small fraction of trade with Western Europe. However, the port of Karachi is the only outlet for seaborne trade with Western Europe, America and the Far East. Road links with India across Pakistan currently face difficult problems. In terms of freely convertible foreign exchange earnings through exports of high-priced commodities, trade with Western Europe is of the greatest importance, and this trade is carried in transit almost wholly through Pakistan. The lengthy road and rail journey to Karachi and the unpredictable delays in transhipment cause some of the high-priced items to be air-lifted in spite of the high costs involved.

The measures that Afghanistan is pursuing to establish alternate transit facilities promise to be rewarding. They have been made possible by the co-operation of Iran and Turkey. Steps are being taken to operate Afghanistan's containerized transport fleet on the land-route (Asian Highway) across Iran and Turkey to the Istanbul railhead, which connects several points in Europe. This would mean a total time interval of 15-21 days for Afghan goods to reach Europe in contrast to 45-180 days through Karachi. The operation of its own transport fleet results in sizeable economies in foreign exchange payments. In addition, Afghanistan is in the process of developing the landroute to the Persian Gulf port

of Bandar Abbas with entrepôt facilities outside Iranian customs; this will constitute the quickest and shortest link for overseas trade.[3]

Although Laos is landlocked, under normal conditions the country enjoys access to the sea at several points across South Viet-Nam, North Viet-Nam, Cambodia and Thailand. In the present military situation in the region, however, connexions are exclusively through the port of Bangkok in Thailand.

The principal export commodity of Laos to countries other than Thailand consists of tin concentrates which are wholly destined for Penang in Malaysia. Other export items such as coffee and spices are of minor importance. Presently all external trade is carried in transit across Thailand by a Thai government transport organization. With tin concentrates destined for Penang as the only important export, and the existing rail link directly from Nongkhai (Thai-Laotian frontier) to Penang (and on to Singapore) there is an obvious advantage to Laos in using its own rolling stock to carry its external trade on the Thai-Malaysian railroad. An arrangement of this kind may help to provide the country substantial economies in costs of transportation.

Nepal's overseas trade at present is carried exclusively through the port of Calcutta in India. The alternative use of the port of Chittagong in East Pakistan would imply a short transit through India. An agreement for regulation of traffic in transit was signed with Pakistan in January 1963.

Problems of overseas trade of Nepal are currently intertwined with the problems of bilateral trade with India, complicated by open borders, Nepal's relatively free foreign exchange market and exchange restrictions in India. Moreover, the present agreement combines the aspects of trade with India and those of transit through India. In these circumstances the problems of bilateral trade between Nepal and India require separation from the issue of transit facilities for external trade through India. Agreement on the provision of full facilities for Nepal's transit trade should be possible in the context of friendly relations between the two countries.[4] The Iran-Afghanistan agreement for the use of the port of Bandar Abbas could serve as a model.

Transit facilities through the adjacent countries for international trade acquire great importance for the economic development of the landlocked countries of the region. International technical and financial assistance is of exceptional interest in this regard.

Growth and investment finance. The economies of China (Taiwan) and the Republic of Korea can be compared to derive lessons from their experience. Both are basically agrarian societies engaged in the process of industrialization; neither possesses sufficient raw materials for rapid development, and both have small populations which are increasing rapidly with the result that labour is cheap. In addition, the domestic saving rate has increased markedly in both countries, investment rates are high and increasing, both enjoy high growth rates, and both are foreign trade oriented. However, both have experienced growing current account balance of payments deficits in recent years.

Despite these many similarities, differences do exist between them. Korea is relatively in an early stage of industrialization as compared with China (Taiwan) since the latter even before World War II had a resource base on which some degree of industrialization could be built. The per capita national income in Korea is lower than that of China (Taiwan) and wage rates are lower.

A major difference between the two countries is that the Korean economy is absorbing more than is produced domestically and this gap is reflected in the current balance of payments, whereas in China (Taiwan) this problem is not as acute. As a direct result, the balance of payments deficit is both large and increasing in the Republic of Korea.

There are some differences in the financing of investment in these two countries; Korea finances capital formation from foreign resources to a much greater extent than China (Taiwan) and the inflow of foreign capital, particularly private foreign capital, has accelerated rapidly in Korea, with a notable rise in the ratio of debt service to net export earnings.

In respect of price stabilization, Korea has managed to reduce the rate of inflation quite significantly, but it is still in excess of that in Taiwan. The Korean money supply has been allowed to increase at a far higher rate than in China (Taiwan), largely to promote investment and to facilitate the absorption of the capital inflow in order to foster economic growth. There is a growing feeling in some quarters that the low rate of inflation in China

[3] Afghanistan signed a transit agreement with Turkey in June 1968, and negotiations with Iran are at an advanced stage. The latter include reciprocal transit facilities for Iran across Afghanistan to Pakistan (Asian Highway).

[4] "With the objective of giving Royal Government of Nepal every feasible facility of transit of goods through India, the two countries should, in our view, in friendly consultation, explore the possibilities of providing special storage and warehousing facilities both in Calcutta and at Haldia. Quite obviously also friendly relations between the customs administration of the two countries should be established and developed. It should be ensured that apart from the minimum necessary checks and controls by port and customs authorities no other impediments are placed on the transit of goods consigned to and from Nepal. Agreed and suitable procedures should be evolved for speedy transmission of goods to and from Nepal through the ports of Culcutta, Haldia in sealed condition." Conclusions in the Report made by H.E. Mr. T. Swaminathan, Ambassador of India, Brussels, 1968.

(Taiwan), less than in many developed countries, reflects a cautious monetary policy and that an easing of credit (especially if associated with rather greater inflows of capital) might stimulate growth. In Korea there is a growing feeling that perhaps relatively slower growth is advisible since it would require less capital inflow and would lead to less strain on the economy.

The role of government vis-à-vis the private sector. The question of the relationship between the state and the private sector continues to be of general relevance to mixed economies. Where private enterprise comprises the bulk of economic activity and the state has assumed responsibility for promoting economic change, the government role becomes important *pari passu* with the magnitude of the development aims. Recent changes in policy orientation in Indonesia, Malaysia and the Philippines endow this issue with rather special importance for the present and the foreseeable future.

In the Philippines the change is perhaps least abrupt. Though there have been repeated efforts to turn the acceptance of responsibility by the Government into action to promote development, the efforts have not been well sustained. There has apparently been a lack of consensus concerning the need for and the appropriate role of the state in the process of development. Changes in the economy, stagnation in productivity growth and the subsidence of the development impetus have created a situation in which new initiatives were accepted as necessary. In spite of some possibly transitory unrest, there is now continuity in government and a feasible development programme. The past four years have witnessed significant progress, qualified by the partial achievement of fiscal reform.

It is primarily in implementation of the new programme for the re-development of industry that modifications will become necessary in the government role. The inducements provided by the Investment Incentives Law of 1968 have sketched the outlines of the government role vis-à-vis the private sector *qua* investors; further steps will need to be taken to ensure that investment is channeled in the necessary directions. Techniques will be found to encourage efficiency in production, both at the plant level and in the balancing of capacity among and within industries. Rationalization will be required in some industries; measures to induce existing enterprises to utilize domestically produced inputs will help to create markets sufficient to support production facilities on an economically feasible scale. Planning of priorities on criteria of inter-industry linkages will require greater articulation of measures to ensure that private interests respond effectively. In the case of key industries where private enterprise cannot be expected to take the initiative, government should be prepared to act. Methods must be devised to ensure that established capacity is fully utilized. The planning of capacity in excess of prospective domestic needs in anticipation of exporting the surplus may frequently provide the link between import substitution and export expansion. Where this is not feasible, it may be as important to limit capacity as it is to induce its formation. These tasks, born of the necessity to re-develop and diversify industry, will require more specific planning and more sophisticated control instruments, fiscal and other. Their creation and utilization will define pragmatically a new and expanded role for government vis-à-vis the private sector.

For Malaysia it is the initiation of the new strategy for industrialization which is re-defining the government role in relation to the private sector. Relatively little emphasis has hitherto been given to manufacturing. Government support was mainly in the provision of lists of products and industries eligible for preferential treatment in the form of tax incentives and tariff protection, and the provision of infrastructure for the encouragement of private enterprise.

The new departure has been taken in response to the challenge of increasing unemployment:

> A new strategy has been developed. In the past, we relied on the initiative of the private sector to carry out investment and establish industries. Now the Government is taking a positive and aggressive approach to industrialization. The Government will identify feasible projects and mount a promotion drive to mobilize local as well as foreign capital. The Government will take the initiative in industrialization and, if necessary, will participate in the establishment of industries either by itself or in joint venture with the private sector, both local and foreign. This participation by the Government will enable us to give new direction and to influence the employment policies of these industries.[5]

Institutions are being evolved which will bridge the gap between government aims and private-enterprise action. A private enterprise advisory panel has been established for participation at the planning level and the new National Corporation will encourage the development of a Malay entrepreneurial class. A considerable degree of flexibility is desirable if effective participation of the private sector is to be forthcoming. Beyond this, the decision to develop a viable pattern of industry may require that government assume final responsibility for the establishment of key enterprises, for the enforcement of priorities

[5] Tun Abdul Razak, Deputy Prime Minister and Director, National Operations Council, pp. 2 and 3 in Malaysia, *A New Industrial Development Strategy*, Kuala Lumpur, July 1969.

and the discipline of the private sector. It is apparent that such a regime of co-operation and joint-participation, in which government is ultimately in control of the direction of development, implies a new role and a new set of parameters for the government-private sector relationship.

A fundamental change in the role of the state has occurred in Indonesia, where the present Government has abandoned the commitment to state socialism and opted for the predominance of private enterprise. At the same time, a commitment to rational economic and social planning has been made. The role of the Government under the new conditions will nevertheless continue to be influenced by the heritage of the past, not least by the existence of a substantial publicly-owned production sector.[6] This element distinguishes the Indonesian case from those of Malaysia and the Philippines. For the rest, the commitment to development under predominantly private enterprise has implications which are generally similar for Indonesia.

The demarcation between public and private sectors in production need not be fixed for all time; in all likelihood the line will shift gradually in the direction of private ownership as government divests itself of establishments which are not crucial to the attainment of development goals. As long as the considerable publicly-owned segment of the economy shares fields in which private enterprise also operates, the conditions under which the two segments function will remain an important area of government and private enterprise interaction. Conditions of entry into industries occupied by government enterprise, the conditions of competition, access to credit, to tax and other advantages and to marketing facilities (especially in connexion with the state trading corporations) will affect the parameters within which private enterprise must operate. The indications are that government will attempt to treat the two segments as equally as circumstances permit and will require public enterprise to operate under the prevailing market conditions.[7]

The country notes which follow are intended to analyse some of the more significant and more urgent problems of the developing ECAFE region. It has not been possible to include notes on all the developing countries in the region. In some, particular circumstances have made it infeasible to attempt a discussion of their economic position and policies. Hong Kong and Singapore, which have given enviable performances in economic development in recent years, require quite special analysis as the character of their economies differs fundamentally from that of most of the other developing countries in the region. The hostilities in the Republic of Viet-Nam quite understandably create a situation which is scarcely amenable to meaningful economic analysis. The lack of sufficient information, statistical and other, has made impossible the inclusion of an informed discussion of Brunei, Burma, Fiji, Mongolia and Western Samoa. It is hoped that these countries will be included in future.

[6] The government-owned production sector is large in comparison with many other non-socialist countries in the region. In addition to activities commonly government owned and operated, the Indonesian government production sector includes a large part of the plantations and of the modern manufacturing sector, mines, transport, commercial banking, state trading corporations and some service activities.

[7] A discussion of the requirements for the effective performance of the Indonesian state trading corporations is found in J. Panglaykim and I. Palmer, *State Trading Corporations in Developing Countries* (Rotterdam, 1969), especially chapter 6, the implications of which are relevant to public enterprise in general.

Chapter II

CURRENT ECONOMIC DEVELOPMENT AND POLICIES IN THE DEVELOPING COUNTRIES OF THE ECAFE REGION

Afghanistan

The impressive progress made by Afghanistan over the decade in the establishment of infrastructure, principally in terms of roadways and power generation, has led the country into the beginnings of modern economic development. The paved highway network of 2,800 km connects all the cities of the inhabited belt and leads to the principal gateways into the adjoining countries. Total installed electric power capacity generates annually about 222 million kWh. International and domestic airlines are in operation. Equipped with this infrastructure, the Afghan development strategy is now concentrating on the production sectors.

Since 1956, the development activities have been organized in the broad framework of five-year plans. Over the first two plan periods, nearly 75 per cent of a total of Af 35.6 billion of development investment was allocated to transport, communications and state enterprises (principally electric power). The Third Five-Year Plan (1967/68-1971/72) introduced a marked shift in priority from infrastructure to the production sectors: agriculture and industry. However, the emphasis laid on relatively large projects in the earlier plan periods, especially with regard to irrigation facilities, meant a large carry-over from one plan period to the next; about 57 per cent of public investment during the Third Plan period was estimated to be for the completion of projects launched in the earlier periods. As a result, the availability of resources for quick-yielding investments in the production sectors has been greatly curtailed.

Paucity of statistical information renders it difficult to make a meaningful quantitative appraisal of the economic progress achieved in recent years. However, available information indicates that production of foodgrains remained unchanged (apart from variations due to weather) until two years ago. The annual rate of growth of real gross domestic product over the period 1962/63-1967/68 has been placed at 2 per cent as against an estimated annual growth rate of population of 1.9 per cent for the period.

The beginnings of a process of economic growth are clearly perceptible since 1967. Estimated gross domestic product (at 1965/66 prices) for 1967/68 and 1968/69 are of the order of Af 56.3 billion and Af 58.2 billion respectively, showing an annual growth rate of 3.5 per cent in 1968/69. The figure quoted for current population growth rate is 2.5 per cent. The year 1968/69 thus records a one per cent rise in per capita real income over the previous year. The size of total population having been estimated at 16 million, the per capita income works out at Af 3,600 or US$ 80 (at the official rate of Af 45 to one US dollar).

The over-all growth rate of 3.5 per cent largely results from a 3 per cent increase in agricultural production, the sector that accounts for more than half of the net domestic product. Handicrafts, which are second in importance in the production sector (constituting 9 per cent of the net domestic product) registered a 5 per cent increase in production.

Agriculture

Of the total area of 63 million hectares, about 14 million hectares are classified as arable but the cropped area is currently estimated to be only about 3.5 million hectares. However, two thirds of the cropped area is under irrigation.

Total production of foodgrains is of the order of 3.6 million tons, of which wheat constitutes about 60 per cent. About one fifth of wheat production is marketed. The other foodgrains cultivated are corn, rice and barley. Traditional methods of cultivation account for the very low productivity.

The most important development in Afghan agriculture is the recent introduction of the Wheat Programme. Mexican wheat varieties are being adapted to local conditions with a notable degree of success. The experiments undertaken have demonstrated that, with appropriate inputs, yields could be increased by 50 to 400 per cent, depending on the conditions of soil. In 1968/69, some 5 per cent of the irrigated wheat area was planted with the improved varieties. For the first time, wheat production reached a figure of 2.4 million tons, rising from the stagnation level of 2 to 2.2 million tons. Some 10 to 15 per cent of the irrigated area is reported to have been planted with the improved varieties in the 1969 season.

Table II-2-1. Afghanistan: Sectoral origin of GDP at market prices

(in million afghani at 1965/66 prices)

	1967/68	1968/69	Percentage change
Agriculture	28,300	29,505	3
Manufacturing	1,100	957	−13
Handicrafts	4,607	4,820	5
Gas and minerals	280	540	93
Electric power	303	370	22
Construction	860	900	5
Transport and communication	1,178	1,260	7
Trade, hotels, restaurants	7,122	7,350	3
Other personal services	2,174	2,200	1
Housing	4,673	4,800	3
Government services	2,890	3,150	9
Sub-total	53,487	55,500	4
Depreciation	2,797	2,840	2
Gross domestic product	56,284	58,237	3.5

Source: Ministry of Planning.

The growing response of the farmers to the introduction of the new varieties of wheat has been particularly striking, given the fact that the increases in area sown with the new varieties took place in the context of a sharp decline in the market price of wheat. In the 1968/69 planting season, the price of wheat was more than a third lower than a year before, and lower than the average price of the past three years.

The Government has promoted the wheat campaign with a substantial increase in fertilizer imports which are sold with a subsidy that was originally 55 per cent but has now been reduced to 30 per cent. A total of 16,000 tons was reportedly imported in 1968, and the target for 1969 was fixed at 30,000 tons. The fertilizer plant under construction (with 105,000 tons capacity) is expected to go into production in 1970. This will not only fully meet the domestic requirements of nitrogenous fertilizers, but also afford a sizable quantity for export.

The third five-year plan (1968-1972) envisaged the attainment of a level of 2.6 million tons of wheat production at the end of the plan period (19 per cent increase). The success that is being realized with the new varieties warrants the expectation that this target will be attained, subject to the Government's ability to overcome the present administrative bottlenecks in the handling of an enlarged programme of distribution of fertilizers and related inputs.

Cotton is an important commercial crop in Afghanistan with prospects for enlarged production. The present cultivation is restricted to a very small area, accounting for less than 2 per cent of the irrigated land. Output declined from a level of 110,000 tons in 1963/64 to about 65,000 tons in the last two years. The two main causes of the decline were an adverse movement in the price relationship with wheat (there were wheat shortages until recently) and an unfavourable exchange rate for exports. The cotton-wheat price ratio moved from 1.7 in 1962 to 0.9 in 1968. Lately, however, the Government has taken steps to correct the exchange rate structure to bring the cotton price up to Af 72 per seer from a level of Af 52 in 1967.

The ginning capacity installed in the country is of the order of 160,000 tons of seed cotton, and positive measures towards a speedy enlargement of cotton cultivation appear to be most promising owing to highly suitable natural conditions. Currently, about four fifths of cotton exports are destined for the USSR, under bilateral trade agreements, and the rest for Czechoslovakia. However, existing capacity in the cotton spinning and weaving units are being inadequately utilized, whereas imports of cotton textiles, principally from the Soviet Union, continue on a significant scale. Two new units are in the process of erection. An accelerated programme for cotton cultivation, on the lines of the wheat programme, would help to increase supplies of cotton for the existing textile units that are facing shortages, support the new units on their completion, and make a significant contribution to export earnings, especially from convertible currency areas. A beginning has indeed been made by the Government with the setting up of 200 cotton demonstration plots and the production of improved cotton seeds.

Sugar beet is another crop with a promising potential. At present, the area of cultivation is only 4,500 hectares, mostly in the north, with a production of about 60,000 tons. The average production of the only sugar beet refinery in the country is about 7,000 tons, but the country's import of sugar, almost wholly from the Soviet Union, averaged about 45,000 tons over the period 1966-1969. Inadequate supplies of sugar beet account for the low utilization of the existing plant which has a design capacity of up to 600 tons of beet per day. Technical studies point to the feasibility of achieving a production of about 10,000 tons of sugar. Natural conditions for enlarged cultivation being attractive, gradual expansion of sugar beet cultivation and installation of additional refinery facilities should significantly contribute towards import substitution.

Oilseed cultivation extended over an area of 150,000 hectares until recently; in the past two years, the area has been reduced to about 40,000 hectares. However, local demands for vegetable oils and fats are expanding and an increasing part is met by imports. In addition, exports of linseed and sesame to the convertible-currency areas offer interesting prospects. These considerations should warrant a

sizable expansion in oilseed cultivation. Increasing availability of cotton seeds would be an important contributory factor in expanding vegetable fats production.

An encouraging development is the increasing interest shown by Afghan private enterprise in fruit cultivation. The area under fruit production has increased from 100,000 hectares to 135,000 hectares over the past two years. Afghanistan enjoys some exceptional advantages, particularly in regard to the wide variety of grapes of outstanding quality. At present, fresh and dried fruit exports account for more than one third of the country's export earnings. With the current progress in processing and packaging of fresh and dried fruit for export, and with determined efforts towards diversifying export markets, fruit exports could be counted upon to continue as the largest single factor in the country's export earnings.

The principal constraint on agricultural development in Afghanistan is the availability of suitable land and water. The large irrigation and land development schemes (Halmand Valley, Nangarhar, Paktia, etc.) of the first three plan periods should help in this regard, but not in the immediate future. In the short run, and particularly over the next few years, the potential gains in agriculture lie essentially in rehabilitation and better operation of traditional irrigation systems, and concerted action in terms of expanded supplies of farm equipment, seeds, fertilizers, pesticides, storage and extension services, and credit.

A comprehensive small irrigation programme would include (*a*) selection of projects for immediate implementation, (*b*) technical assistance in the design, construction and operation of improved irrigation facilities, and (*c*) legal identification and enforcement of water rights, water charges and continuity of water supply. The major reasons for neglect of this most urgent field of investment have been the insufficiency of technical and financial resources and the preference on the part of external assistance for large and medium-sized irrigation projects. It is most encouraging that the Asian Development Bank has now offered to fill this gap; financing of the order of US$ 10 million accompanied by technical assistance towards small irrigation projects in Afghanistan is currently being organized.

The agricultural sector is characterized by small holdings and traditional methods of cultivation which account for the very low yields. The availability of both long-term and short-term credit is grossly inadequate. Small farmers are often indebted to local money-lenders who charge a 40 to 100 per cent annual interest rate and who exercise control over the price of the debtor's crop at harvest time. Although no rural co-operatives exist, in recent years farmers of certain areas (e.g., Nangarhar) have organized themselves into groups under the leadership of "bondholders" or treasurers (usually the richest among them) who collect contributions from the farmers and are able to provide collateral for loans from the Agricultural Bank. This is a development that should aid enlarged operations of agricultural credit.

The Agricultural Bank has so far been relatively ineffective in meeting the credit needs of farmers except for importing and financing the sale of shallow well pumps and tractors (400 in the last three years) against 200 per cent land collateral, 25 per cent down payment and a five-year term for the balance at 6 per cent. This has benefited only the larger farmers. Moreover, large advances made to the government-sponsored schemes have reduced the availability of funds for lending to private farms.

Following a recent International Bank for Reconstruction and Development (IBRD) appraisal mission, efforts have begun towards laying a sound base for the Agricultural Bank's future operations and securing additional capital from domestic and foreign sources. The proposed agricultural credit programme would consist of several pilot lending projects for specific crops and areas, including agricultural chemicals and implements for sugar beet, cotton and grapes, improvement of traditional irrigation systems, continued sale of pumps and tractors, and distribution of improved wheat and fertilizers.

Livestock

Livestock, principally sheep, is estimated to account for about one sixth of total agricultural income or about 7 per cent of gross domestic product. The total number of sheep is reported to be of the order of 21 million, which includes about 6 million of the Karakul variety. The north and north-western regions have the greatest density. Sheep-raising is essentially nomadic over the government owned pasture lands which have been degraded by overgrazing.

Concentrated efforts towards improvement of sheep-raising in Afghanistan, particularly in the north-western region, recommends itself for a variety of reasons. In addition to the possibilities of augmenting the export earnings of Karakul skins and improved qualities of wool, enlarged production of mutton offers good prospects of export to the neighbouring country of Iran on highly advantageous terms. Iran is currently importing large quantities of mutton from distant countries.

Industry and mining

Total industrial production accounts for a little over 10 per cent of gross domestic product and factory-scale production contributes less than one fifth to this total. The remaining four fifths fall under the category of handicrafts (small shop and home activities), with carpet-making as the major activity.

Factory-scale production consists of cotton and woollen textiles, sugar, cement, flour-milling, vegetable oils, cotton-ginning, tanning, soap and ice. Fruit-processing and packaging (principally raisins) and carpet-weaving are the other small industries.

Until a few years ago, factory-scale manufacturing in Afghanistan consisted mainly of government-owned plants and mixed (government-private) enterprises. Most of these units have been operating below capacity and with high costs, the principal reasons being shortage of raw materials, managerial and financial inadequacies, and inability to compete with imported goods. In cotton textiles, for instance, existing capacity is of the order of 90 million metres of cloth, and two new government plants are nearing completion, adding another 23 million metres production capacity. Production increased from 36 million metres in 1963/64 to 66 million metres in 1966/67 but fell to 48 million metres in 1968/69. The imports of cotton textiles, principally from the Soviet Union, were of the order of Af 126 million in 1968/69 as against the domestic production of yarn and cloth valued at Af 125 million.

Although there was a slight economic recovery in 1968/69 from the previous two years of minor recession, the picture in respect of manufacturing remained disquieting, marked by a fall of 13 per cent in industrial production in relation to the previous year. Whereas sales of cement actually improved during the year with the expansion of public and private investment, the increase in sales was effected through liquidation of accumulated stocks; production in the year declined to 86,000 tons from the 120,000 tons of the previous year. Sugar and cotton textiles declined by about 25 per cent. There have been notable increases, however, in the production of shoes and soap. Woollen textiles and vegetable oils have maintained their previous levels.

The Government of Afghanistan is fully aware of the urgency for making the operation of existing government-owned and partially-owned industrial enterprises economically efficient. However, the necessary measures should consist not merely of improvements in internal management and finance but also of wider issues of economic planning and implementation in terms of agro-industrial linkages, and foreign trade direction towards promoting industrial development on lines that are feasible under prevailing conditions of resources and markets.

The third five-year plan introduced an important policy shift in favour of private industrial investment. In 1967, the Foreign and Domestic Private Investment Law was enacted, with a view to encouraging foreign and domestic private investment by means of various financial incentives. These include exemption from corporate and personal income taxes and customs duties for five years, and all export duties for ten years. Repatriation of profits from foreign investments is freely permitted, and capital may be repatriated after five years.

The response has been quick and striking by Afghan as well as foreign interests, and a few units, especially in agricultural processing for export, have already come into existence.

However it appears that the Government of Afghanistan has not yet evolved a clear policy of selective encouragement to domestic and foreign private industrial investment with a view to channelling their flows into areas that are most conducive to rapid over-all economic growth. Whereas a few of the approved projects consist of light capital and consumer goods industries, such as metal and building trades, auto-batteries, plastic goods, utensils and knitted wear, the largest number of the approved projects, numbering twenty-six, is for rayon textiles. The total capacity of these plants is about 80 million metres of cloth with an estimated sales potential of US 27 million, entirely in the domestic market. The existing production of rayon cloth is of the order of 1.5 million metres, with a sales value of less than US$ 0.5 million; the recorded value of total imports of fabrics other than cotton is of the order of US$ 6.9 million. Even admitting that some quantities of imports are unrecorded, it may be of interest to examine whether the capacity being created (wholly based on imported yarn) is not far out of proportion to the likely expansion of domestic demands in the immediate future.

The question assumes even greater importance if note is taken of the extent of unutilized capacity in the existing cotton textile units, and the handsome prospects for substantial increases in domestic cotton cultivation. The country does not appear to possess natural advantages for the production of rayon pulp.

With the progress attained in infrastructure, especially in electric power and communications, and the evidence of growing monetization of the agricultural sector, Afghanistan enjoys favourable conditions for the development of a wide range of light capital and consumer goods industries, contributing to a

significant replacement of imports. Given the size of markets in the country, the pattern of industrial development of the Punjab areas of India and Pakistan might commend itself to Afghanistan.

Encouraged by the response to the Foreign and Domestic Private Investment Law, the Government of Afghanistan established an Industrial Development Centre in February 1969 under the auspices of the Chamber of Commerce (a government-sponsored organization with limited membership). The object is to provide technical assistance to private industry and to identify, analyse and promote new industrial opportunities. The establishment of this Centre should prove highly valuable for the selection of viable industrial projects. What is of fundamental importance however is the selection of projects that provide linkages within the economy for a fuller exploitation of domestic resources, and contribute significantly towards *net* savings in imports and earnings retained within the country.

The third five-year plan envisaged the establishment of an Industrial Development Bank to provide the short- and medium-term credit to industry which the present modest banking facilities in the country are not able to supply.

The Industrial Development Bank would supply long- medium- and short-term credit for the erection of industrial plants and for their working capital needs. Equity participation and technical and managerial assistance to the Bank are also envisaged. The proposed funding of the Bank would consist of Af 240 million equity capital (40 per cent foreign), and an Af 560 million loan from the Government. United States, Swiss, French and German banks are reported to have shown interest in becoming shareholders. The domestic part of the equity capital is reported to have been over-subscribed (with some 2,000 stock subscriptions) by 35 per cent, with two fifths of these subscriptions paid in.

The most notable development in the government sector has been the installation of the natural gas pipelines in the northern border region of the country, leading to the USSR. This is already having a significant impact on the exchange earnings of the country from the USSR. In 1967/68, exports of gas were of the order of 0.5 million m^3, with earnings equivalent to US$ 2.9 billion, and, in 1968/69, 1.6 million m^3, with earnings valued at US$ 9 million. The figure is expected to reach US$ 14 million by 1971/72.

The other important enterprise based on natural gas is the construction of a fertilizer plant at Mazar-i-Sharif with a capacity of 105,000 tons of urea, consuming some 620 million m^3 of gas a year. The project is expected to be completed early in 1970, with the arrangement that the USSR will absorb the surpluses of domestic production.

A thermal power plant of 36 megawatt capacity and using 142 million m^3 of gas has already been erected in Mazar-i-Sharif, for use by the fertilizer plant. The electric power generated is expected to facilitate the growth of an industrial complex in the northern region of Mazar-i-Sharif and Balkh.

In the long-term perspective, governed by the pattern of available investible resources, a gradual development of internal transmission and distribution of natural gas holds out attractive prospects for gas-based industries and utilities in the principal cities and towns of the country.

The geological exploration work for petroleum deposits is progressing in the northern region with a test bore-hole producing 70 m^3 of oil daily, which is being consumed locally.

The iron ore reserves in the Hajigak region were conservatively estimated in January 1968 at more than 2,000 milion tons of high purity (over 60 per cent Fe). First explored in 1960, the deposits remain unexploited principally due to the land-locked position of the country and the rugged terrain in which the deposits are found. With the bountiful supplies of natural gas now available, technical possibilities are opened up for processing the iron ore, using gas as both the reducing and heating agent. The present demands for steel, however, as reflected in the imports, hardly add up to 4,000 tons, with no immediate prospects of any significant expansion. It is considered, therefore, that the setting up of processing facilities will become an economic proposition only when sizable export markets have been assured.

A suggestion has been made that the proposed West Pakistan steel projects, which are based on imported iron ore, might find the use of Afghan high purity ore attractive.[1] Pursuit of this suggestion might open up mutually gainful regional co-operation.

The possibility of exporting lamb meat to the neighbouring country of Iran under highly advantageous terms, mentioned earlier, suggests that it would be worthwhile to locate a large-sized slaughter-house complex at Herat to meet the export demands and, in addition, commercialize the wide range of slaughter-house by-products. Also, with efficient procurement operations, this could check the reported uncontrolled movements of Afghan flocks of sheep across the border into Iran.

[1] A A. Strauss, *Industrial Development in Afghanistan: A Forward Look* (Robert R. Nathan Associates, 1965).

Money, prices and banking

Monetization has remained at a low level, money supply amounting to about 10 per cent of national income. Currency in circulation constitutes about 86 per cent of the total money supply.

In 1968/69, money supply expanded at an annual rate of 6.9 per cent, which reflects the conditions of economic recovery, in comparison with the sluggish rate of 1.4 per cent and negative rate (–1.4) of the previous two years which were marked by recession.

Non-bank financial deposits, which account for a quarter of the private demand deposits, have been registering sharp rises, whereas there has been a progressive fall in the demand deposits of the private sector, even from its low absolute base. The explanation appears to lie in the increasing propensity to use bank notes following their substantial expansion after a period of currency stringency, and sizable declines in the industrial production sectors, such as cement and textiles.

Central bank reserves of foreign currencies at the end of 1968/69 were in a sufficiently difficult situation for new stand-by arrangements with the IMF to be requested in March and May 1969.

The over-all increase in money supply in 1968/69, however, reflects the growth in economic activity brought about by a larger public investment programme and increased trade.

In contrast to the expanding money supply, consumer prices have been moving downwards since the early part of 1968, a phenomenon explained by relatively good wheat harvests, the largest single factor in the Afghan consumer price index, and the generally lower levels of infrastructure spending which had overheated the economy during the second five-year plan.

The banking system of the country consists essentially of the government-owned Da Afghanistan Bank (which functions as a Central Bank while engaging in commercial banking operations), two commercial banks, three small investment banks for agriculture, industry and private housing construction, and the bazaar money-lenders. There is no organized capital market outside the banks.

Since 1961, Da Afghanistan Bank's credit to the private sector has been relatively stable, whereas claims on the Government have doubled. The two commercial banks (Bank Melli and Pasbitany Tajavaty) have been successful in recent years in adding to their time and savings deposits, which increasingly have contributed to the finance of foreign trade. However, the banks are reluctant to widen their range of borrowers or to extend credit facilities to industry and agriculture, owing to inadequate protection under existing laws.

There is strong evidence that substantial amounts of savings are held in cash or supplied to money-lenders in the bazaars rather than being deposited with the banking system. In the present context of widening opportunities for small and medium-sized industrial enterprises, greater mobilization of these idle savings by the banking system and lending for productive purposes are urgently called for. However, the inadequacies of the present banking laws pose severe obstacles in this regard.

The third five-year plan document has shown full awareness of this situation and urged the need for a new banking law that would afford protection for both depositors and banks, establish a basis for expansion of banking and extension of credit to medium and small units, and confer on Da Afghanistan Bank wider powers of control over commercial banking. The importance of speedy implementation of these reforms suggests itself.

Public revenue and expenditure

Government revenue of about Af 4.4 billion in 1968/69 constituted about 7 per cent of national income, which is significantly lower than in other developing countries of the region, such as India, Pakistan, and Ceylon. The fact that revenue has practically stagnated in the past three years in spite of perceptible economic growth suggests that the tax ratio to national income is actually declining.

About one third of the domestic revenue is accounted for by import duties. Export duties together with market sales of foreign exchange surrendered at the official rate have accounted for about one third of domestic revenue; with a sharp fall in the market sale of foreign exchange in 1968/69, these earnings dropped to about 10 per cent. Revenue from direct taxes shows up as the weakest element, constituting about 8 per cent of total revenue, or 0.6 per cent of national income. Monopoly operations (sale of sugar, tobacco, etc.) provide about one fifth of total revenue. Sale of natural gas (to the USSR) is emerging as an important source of government revenue.

Given the pattern of commercialization in the Afghan economy, characterized by sizeable exports of agricultural and animal products and large imports of manufactured consumer goods, it is only natural that the heaviest incidence of taxation has been borne until now by foreign trade. But this has posed difficult problems. The effective level of taxation on

exports, the combined effect of export taxes and the surrender of foreign exchange at the official rate, resulted in little or negative growth in the exports of the principal items, karakul, wool and cotton, with the consequent effect of reducing import capacity and thereby reducing customs revenues on imports. The Government has now abolished the export taxes on karakul, wool and cotton, and raised the effective exchange rates for these items through appropriate exchange subsidies. The salutary impact of these measures on export earnings is already discernible.

The extended length and mountainous terrain of the country's borders render it extremely difficult to check uncontrolled movements of goods across the border. The increase in customs administration expenditure to effect the necessary control may reduce the net increase in customs returns to insignificant proportions. The Government is currently reported to be investigating whether lower import duties, accompanied by more severe penal action against smuggling, would produce larger customs returns. However, even the existing tariffs tax essential consumption imports lightly, levy relatively high rates on goods in which domestic productive capabilities exist and impose low rates on intermediate and capital goods.

Possibilities for the augmentation of public revenue appear to lie essentially in more effective taxation of incomes and the production and internal trade sectors of the economy. There is little scope in the immediate future for increased receipts of corporate income taxation since exemption from this tax forms one of the major incentives under the Private Investment Law; but there appears to be considerable margin for improving the receipts from personal income taxation (especially of the traders) by greater efficiency in tax collection. Receipts from individual income taxation dropped to Af 160 million in 1968/69 from Af 318 million in the preceding year.

Receipts from sales taxation of consumer goods have averaged a nominal Af 65 million over the past three years. Increased receipts under this head are unlikely since non-essential and luxury consumption is being met almost wholly by imported goods that are subject to fairly progressive import duties. Moreover, an ad valorem sales tax of 3 to 30 per cent on the duty-assessed value of fourteen luxury items (automobiles, jewelry, etc.) is being collected at the customs point itself. In the coming years, with the expanding possibilities for domestic production of industrial consumer goods, selective excise levies should constitute an important source of public revenue.

Agriculture, which is the largest source of wealth and income in the country, is currently exempt from income taxation; and land taxation barely captures 0.5 per cent of agricultural income. The livestock tax was discontinued in 1966.

The Ministry of Planning presented new revenue proposals to Parliament in July 1968 aimed at the improvement of collection under existing heads of revenue, the imposition of new taxes and the enhancement of certain existing rates. Introduction of a new land tax, re-imposition of a livestock tax, and an increase in the sales price of gasoline and diesel oil together with an annual registration tax on vehicles are some of the principal measures suggested. In respect of land tax, a graduated tax on land classified under five or six categories is considered the most acceptable. Voluntary declarations of land ownership have been suggested while awaiting the completion of the cadastral survey that has just begun.

The 1969/70 budget incorporates many of these proposals, with an estimated total revenue of Af 5.8 billion which represents an increase of Af 1.4 billion over the preceding year. Of this budgeted increase of Af 1.4 billion, the proposed new taxes are expected to bring in Af 960 million, the reminder constituting accretions from growth under existing heads. The Ministry of Finance estimates that land tax should yield Af 400 million, re-imposition of livestock tax, Af 80 million, and the enhancement of gasoline and diesel oil prices, Af 180 million.

However, the vigour with which the Government launches its efforts towards substantially raising public revenue, especially by bringing the agricultural sector into the tax base, will decide the pace at which this principal financial bottleneck in the way of the country's rapid development can be removed.

Current expenditure at a level of Af 3.9 billion in 1968-69 represents only 6.7 per cent of national income, of which defence alone absorbs about one third. The low level of expenditure on civil and economic administration has been a major constraint on the improvement of the Government's economic performance. However, with the stagnating revenues, there has been a sharp decline in the current budget surplus over the past three years. The increased subsidies for exports that have proved so essential for improved exchange earnings have been an important contributory factor. The 1969/70 budget boldly aims at raising current revenues by more than one third over the preceding year, and doubling the current surplus.

A refreshing trend in current expenditure is the growing importance given to education with a more than one third increase in expenditure in three years, whereas defence expenditure has shown indications of levelling off. However, defence expenditure as-

sociated with compulsory military service has been having a direct impact on economic development, as these "brown" and "green" forces have been utilized in road building and maintenance, and for agricultural works.

There appears to be a certain imbalance in that the allowances granted to students pursuing studies at the University are considered to be well about the salaries they can earn after graduation when they are employed by the Government. Salary levels are low, but the number of persons employed by the Government is thought to be well in excess of the actual work requirements. A study of the employment pattern of university graduates in Kabul, undertaken in 1966/67, revealed that out of a total of 6,200 graduates, 5,600 were employed; 5,000 were in services (almost wholly Government), 200 in transport and communications, 200 in trade, 100 in construction, 100 in manufacturing, and none in mining or agriculture. It might be of interest to examine the possibilities of creating incentives for a larger number of the educated to seek openings in industry, trade, agriculture, and the professions.

Development expenditure

More than three quarters of development expenditure in Afghanistan is supported by foreign project and commodity assistance. Moreover, in the past three years, development expenditure has significantly slowed down with the declining volume of external assistance. What is even more disquieting is the sharp decline in public savings and the pronounced increase in deficit financing. With the expiry of the moratorium on the "Russian Debt", debt servicing has increased sharply since 1967/68, and the trend is expected to continue throughout the remaining years of the third plan.

The 1969/70 budget envisages a sharp rise in development expenditure of the order of Af 1.8 billion over the preceding year (45 per cent rise), counting on external assistance of over Af 3.0 billion and an enlarged budget surplus of Af 0.7 billion. On both external and internal accounts, the current trends warrant a high degree of circumspection in expecting achievements of these magnitudes.

External trade and balance of payments

Exports and imports have both shown a growth rate of about 3 per cent annually over the past ten years, a rate marginally above the growth rate of GNP. Since 1967, however, distinct possibilities have emerged for significantly higher growth rates in exports over the coming years.

In 1968/69, merchandise exports valued at US$ 74.3 million constituted a little over 8 per cent of GDP, whereas imports valued at US$ 123.8 million represented 14 per cent. Project aid and commodity assistance accounted for about half the value of imports.

Of total export earnings in 1968/69, fresh and dried fruits (principally grapes and raisins) accounted for 35 per cent, karakul skins for 20 per cent, wool for 10 per cent, and cotton and carpets 8 per cent each.

At present, exports of grapes and raisins are almost wholly to India, Pakistan and the USSR, but with the establishment of processing and packaging facilities, prospects of increasing exports to the competitive markets in Western Europe and the United States have greatly improved. Iran-Afghanistan economic co-operation could also be conceived on lines that would permit the joint marketing of complementary varieties of fresh and dried fruit in the Persian Gulf area.

Karakul skins enjoy a firm demand in the West European and United States markets, and the exchange earnings of this high-priced commodity are likely to be greatly augmented with the introduction of quality improvement and wider choice in natural colour of skins by the Afghan Karakul Institute. Similar measures in respect of wool should greatly improve its export earnings. Afghan cotton is at the present time almost wholly exported to the USSR and Czechoslovakia under bilateral arrangements, but the prospects in convertible currency areas appear attractive. Natural gas exports are soon expected to reach a figure of US$ 14 million. It appears reasonable to expect an annual growth rate of 7-10 per cent in the country's export earnings over the coming years.

Consumer goods currently represent two thirds of commercial (non-aid financed) imports. However, there are substantial possibilities for expanding the domestic production of currently imported consumer goods, such as textiles, sugar and vegetable fats, with appropriate policies on import substitution, there appears to be considerable scope for a gradual shift in the composition of imports in favour of capital and intermediate goods. This is likely to be reinforced with the growing role of foreign private capital in the industrialization of the country.

The largest volume of external assistance to Afghanistan is provided by the USSR, with the United States and the Federal Republic of Germany ranking next in importance. In 1968/69, the USSR accounted for 50 per cent of the total disbursements, the United States for 18 per cent, and the Federal Republic of Germany for 13 per cent.

The total volume of external assistance, however, has been sharply declining since 1966/67, and the

debt service ratio rose from 9 per cent of export earnings in 1966/67 to 15 per cent in 1968/69. The ratio is still low, however, in comparison with other developing countries, such as India and Pakistan.

Since the establishment of a stabilization programme in 1965, the support of the IMF, through standby and compensatory finance arrangements, has been vital to the Afghan economy. Although Afghanistan has not been a beneficiary of IBRD loans, a loan agreement for US$ 5 million was put into effect by the IDA in June 1969 to finance road construction. This is a notable development for Afghanistan will continue to be heavily dependent on foreign aid and such aid needs to be made available on favourable terms.

Plan progress and prospects

Planning for development in Afghanistan has been largely governed by the nature and magnitude of foreign project aid and its co-ordination with available domestic capital. As major donors have preferred large-scale construction projects, the achievements have been mostly in the completion of some of these projects, with a few still under construction. However, taking note of the progress achieved in infrastructure, the Government, when drawing up its third five-year plan (1967/68-1971/72), shifted the emphasis from infrastructure to the production sectors. In view of commitments for the completion of projects in progress, the scope for this shift was considerably restricted.

At the end of the first year of implementation, the inability to mobilize the projected rates of foreign and domestic financing for investment became apparent, and the plan was revised, involving a reduction in total outlay from Af 33 billion to Af 26 billion, but with bold proposals for stepping up domestic resources to finance the reduced outlay. It was proposed to increase domestic revenue at an annual average of 30 per cent for the remaining plan period. The revised plan and budgetary proposals are awaiting parliamentary consent.

The recent trends in agricultural progress and private industrial activity indicate that significant economic growth could be realized in the coming years with emphasis on relatively small-sized new projects and concentrated efforts towards strengthening economic organization. The former comprise improvement of traditional irrigational systems and development of light import-substituting consumer and capital goods industries, together with facilities for processing agricultural and livestock products for export. The latter demands the implementation of the proposed measures for augmenting government revenues and improving credit facilities to agriculture and industry. The strategy of planning appears to lie in the most effective utilization of the infrastructure and industrial capacity already in existence, with additional investment essentially in areas that yield quick returns. The necessary re-adjustment in the pattern of external assistance will be a crucial factor in the realization of this objective.

Cambodia

Since 1954, Cambodia has been pursuing economic development under an almost unique set of natural, economic and political circumstances. The economy is predominantly agricultural with the rural population accounting for about 85 per cent of the whole, and agriculture accounting for around 80 per cent of total employment. The country was equipped with scarcely any industrial base at the time of independence. Over the decade, however, notable strides have been made in strengthening the economic infrastructure and establishing several consumer and capital goods industries. The construction of modern airports with facilities for landing large aircraft at Phnom Penh, Siam Reap and Sihanoukville, the establishment of a deep-water port with modern facilities at Sihanoukville, and the completion of the Phnom Penh-Sihanoukville railroad merit particular mention.

The 1962 Census placed the population of Cambodia at 5.7 million, and the subsequent annual growth rate of population is estimated to have been 2.2 per cent. The rate of growth of gross domestic product over the period 1959-1967, on an annual average, is placed at 4 per cent. The national accounts for the year 1966 (the latest available) estimate gross domestic product in current prices at 32 billion riels. With a total population of 6.3 million, *per capita* gross income for the year works out at 5,079 riels (US$92).

Of the total gross domestic product of 32 billion riels in 1966, the agricultural sector accounted for 41 per cent, industry, transport and communications for 17 per cent, and the services sector, including trade and banking, for 42 per cent. Annual growth rates of domestic product are characterized by fluctuations because of the preponderant influence of agriculture (on total economic activity), which is subject to wide variations in output due to the vagaries of rainfall. Over the period 1959-1964, the annual percentage growth rates of GDP were consecutively 6.4, 1.0, 5.0, 7.9 and 1.9.

A planned approach to development was instituted as early as 1956. A two-year plan (November 1956--June 1958) in the nature of a broad framework for listing priority projects was outlined. This was followed by a more comprehensive five-year plan

(1960-1964), and the Government recently formulated the second five-year plan (1968-1972), which is currently being re-examined.

Gross capital formation as a percentage of gross domestic product has been in the range of 16 to 18 per cent in recent years. The share of construction remained rather high in the early part of the sixties, accounting for about half the total capital formation. On the other hand, investment in machinery and equipment showed a decline from 25.2 per cent of the total capital formation in 1962 to 21.1 per cent in 1963, and 17.7 per cent in 1964. However, with the progress made in implementing economic reforms and austerity measures announced in 1963, there has been a marked decline in the construction share. In 1966, of the total gross capital formation of 5.9 billion riels (18 per cent of GDP), buildings accounted for 38.6 per cent, roads, bridges and other public works 20 per cent, machinery and equipment 17.2 per cent, and augmentation of livestock and rubber plantations 11.1 per cent.

The second five-year plan (1968-1972) envisages an annual rate of fixed capital formation at 18 per cent of GDP. Based on a capital-output ratio of 3.6:1, a total investment of 32 billion riels over the five-year period is expected to result in an average annual growth rate of 5 per cent in the gross domestic product valued at 32.2 billion riels in 1966 (constant prices). Agriculture and industry each account for a quarter of the total planned investment outlay, and power transport, communications and tourism together account for 35 per cent.

Agriculture

Rice cultivation, currently extending over an area of about 2,500,000 hectares of land, accounts for 70 to 90 per cent of the total area under cultivation. The country is fortunate in having a relative abundance of cultivable land. Over the period 1940-1967, the area under rice cultivation rose from 1.1 million to 2.51 million hectares (3.1 per cent per year) whereas the labour force engaged in rice cultivation rose from 1.28 million to 1.92 million (1.5 per cent per year). As a consequence the size of holdings per cultivator shows a perceptible improvement.

The 1962 census revealed that the country had about 800,000 agricultural households, of which 84 per cent were owner-cultivators. Six per cent were tenants or farmers on contract, 7 per cent belonged to unspecified categories. Moreover, because of the relative abundance of land, the owner's share in tenant-cultivated produce is not unduly high. In addition, tenancy and contract-farming are frequently undertaken by the owner-cultivators themselves with a view to enlarging the area of their direct operations.

The size of land-holdings is again relatively egalitarian. Recent figures are not available on the structure of land ownership. However, the following figures available for the year 1956 are considered to reflect broadly the existing situation.

	Percentage
Proprietors owning less than 1 hectare	55
between 1 and 2 hectares	25
„ 2 and 5 „	12
„ 5 and 10 „	7
„ 10 and 20 „	1
more than 20 hectares	0.2

Large-sized commercial enterprises are restricted exclusively to rubber plantations currently extending over an area of about 66,000 hectares of land, largely operated by foreign concessionnaires. In recent years, however, there appears to have been a tendency on the part of the Cambodian urban community to acquire agricultural land for exploitation through tenant cultivation. The 1962 census registered about 30,000 households as proprietors not belonging to the agricultural community.

Of the 800,000 agricultural households enumerated in the census, 670,000 households (80 per cent) were engaged in rice cultivation. The average size of land unit under rice cultivation per household was a little above two hectares.

Notwithstanding annual fluctuations in production due to natural factors, namely drought and floods, productivity of land has remained more or less constant around one ton of paddy per hectare over the past several decades. This is principally due to traditional techniques of cultivation involving natural inundation. Assured water supply and controlled irrigation are considered to be vital prerequisites for substantial improvements in yields.

The use of chemical fertilizers, although not yet widespread, showed a considerable rise from 950 tons in 1961 to 17,000 tons in 1967. Currently, the levels of fertilizer use are a little below 5 kg per hectare, which is extremely low. However these figures are above those for some countries such as Burma, India and Indonesia.

The crucial role of rice production in the Cambodian economy can be seen in the following. According to the national accounts of Cambodia for 1966, paddy production, amounting to 2.1 million tons and valued at 5.1 billion riels (farm prices), constituted a little over half the value of total agricultural production (crops and plantations) of the country, valued at 10 billion riels. Fruit and

vegetable production accounted for 40 per cent of the total, with the rest, including rubber, copra and cotton, constituting barely 10 per cent. Of 1.1 million tons of milled rice (2.1 million tons paddy), 543,000 tons accounted for auto-consumption, 375,000 tons for domestic markets, and 166,000 tons for exports.

Exports of rice are a major element in the exchange earnings. In 1964, rice exports accounted for as much as 68 per cent of total export earnings. In recent years, however, the figure has been oscillating in the range of 35-50 per cent. In 1967, rice exports, valued at 1.3 billion riels (227,000 tons), constituted half the total export earnings of the economy.

Marked fluctuations in the volume of paddy production (2.8 million tons in 1964, 2.3 million tons in 1965, 3.2 million tons in 1967), owing to the vagaries of rainfall and to the absence of an adequate irrigation systems, and low productivity due to traditional techniques are the factors that are engaging the most serious attention of the Government. In a good year, Cambodia produces over three million tons of paddy, and in a bad year 2 million tons. Official sources in the country are of the opinion that, if the developed countries agreed to assist and help raise the production of rice to 4 million tons per annum during the coming decade, all Cambodia's problems of infrastructure, economic development and finance could be solved. With 1.5 million tons of paddy for export, the country would, according to these sources, have a positive trade balance, a balanced budget and sufficient funds to support national defence and further develop its education, public health and infrastructure.

Food crops other than rice are of minor importance and consist principally of maize (russet and white), beans and soya beans, and sweet potatoes. Production of maize however has considerable export significance; for instance, in 1966 out of a total production of 136,000 tons, 133,000 tons were exported acconting for about 12 per cent of the total exchange earnings of the country. Commercial crops such as cotton, sugarcane and oil seeds are grown in limited quantities at present.

Fruit and vegetable cultivation is of considerable importance in Cambodian agriculture, currently accounting for 18 per cent and 21 per cent of total agricultural production. Oranges, bananas and coconuts are the principal fruit crops; the largest part is locally consumed, however, commercialization accounting for only 10 per cent of production. Coconut plantations currently cover an area of about 13,570 hectares (a large part of which consists of scattered family holdings) and production is estimated at around 8,000 tons of copra per year.

Rubber plantations had their beginnings in the early twenties and currently extend over an area of about 67,000 hectares of land. Plantations already under exploitation cover 43,000 hectares. Figures for the year 1965 show that, of a total of 46,259 hectares of plantations, 32,397 hectares were under exploitation, and total employment numbered 22,515. Cambodian state enterprises, government - private mixed enterprises and family plantations have together accounted for about 15,000 hectares planted in recent years. Annual production currently averages around 50,000 tons. Exports of rubber account for 30 to 40 per cent of the total exchange earnings of the country. Domestic industrial absorption is about 3 per cent of production. The entire area now in plantations is expected to be available for exploitation by 1975, resulting in an annual production of about 95,000 tons. Cambodian rubber yields are among the highest in the world. Average yield is currently reported to be of the order of 1,460 kg per hectare.

The country is fortunate in possessing an excellent potential for diversified agricultural development.

Although no major irrigation systems exist at the present time, the second five-year plan has established several projects for construction (necessarily extending over several plan periods) that would ultimately bring an area of about 135,000 hectares under irrigation. The two major projects, Banan and Bovel, are expected to irrigate 68,000 hectares and 45,000 hectares respectively. The hydro-electric irrigation project of the Mekong Committee at Prek Thnot is expected ultimately to irrigate 70,000 hectares. The Government proposes to develop about 25,000 hectares under minor irrigation, in addition to giving encouragement to farmers to develop their own facilities. With assured and controlled irrigation, and supplies of improved seeds, fertilizers and agricultural services, paddy yields are expected to rise to a level of 2 to 2.5 tons per hectare.

Cambodia is endowed with natural advantages for developing rubber plantations on a significant scale.[2] At current world market prices for natural rubber, export profitability is assured at a level of yields around 800 kg per hectare (at cost conditions in the country). With the current yields a little over 1,400 kg per hectare, the country even now is in a comfortable position to face considerable declines in world prices. The newly established plantations under good conditions are assured of a yield of 800 to 1,000 kg per hectare from trees six to seven years old, that will finally reach a level of 2,000 kg in moderate soils and 3,000 kg in excellent soils.

[2] M. Berrier, "Esquisse D'une Planification Des Cultures Industrielles En Vue D'examiner Les Possibilities D'Investissement Agricole au Cambodge," (mimeo.).

In addition to the existing plantation area of 67,000 hectares, about 250,000 hectares of highly suitable land are available in the provinces of Kompong Cham and Kratie (lower Mekong region) and in the north-eastern province of Ratanakiri.

The second five-year plan envisages an extension of rubber plantations over an area of 10,000 hectares during the period 1968-1972. In the perspective of a longer time interval, pursuit of a sustained large-scale programme of rubber planting appears of great economic interest to the country. The Rubber Research Institute (IRCC) has a valuable record of studies completed which permits technical solutions to the initiation of a large-scale planting programme. In the lower Mekong region, an area of about 120,000 hectares of land is considered highly suited to rubber, although large parts of it are currently utilized for raising annual crops. In the Ratanakiri province, an area of 120,000-150,000 hectares of virgin land lends itself to rubber planting and the State-owned plantation, 4,000 hectares in size, could serve as the nucleus for organizing the development process. Development of plantations of this size are expected to open up for settlement opportunities at an annual rate of 4,000-6,000 workers and their families, with the ultimate size at about 80,000 families. Migration to this region from the densely populated central plains would contribute to easing the population pressure there.

Cotton cultivation has been affected in recent years by the difficulty of protecting crops against insects; production declined from 5,400 tons in 1964-1965 to 2,500 tons in 1967-1968. Domestic yarn manufacture, envisaged on a scale of 4,000 tons of yarn per year for the immediate future, would imply annual cotton production of the order of 12,000 tons (seed cotton), with an area under cultivation of the order of 12 to 15,000 hectares. Cotton is grown exclusively in the provinces of Batambang and Kampong Cham where natural conditions for improving productivity and expanding the area under cultivation are considered to be attractive, once the problem of pest control is resolved. The two state-owned textile units are located in these regions. Jute production, also exclusively in these two regions is currently of the order of 4,000 tons of moderate quality. The objective of the Government is to improve the quantity and attain a level of production of about 7,000 tons in the immediate future.

Raw palm-sugar was for a long time the only form of sugar in Cambodia that met the needs of the population. Recently, however, with the improvements in standards of living, the demand for refined sugar has been expanding fast. Current sugar consumption in the country is placed at around 40,000 tons annually. Recently the public enterprise SONASUCRE has begun to develop a sugar-cane plantation over an area of 1,500 hectares in the region of Kompong Kol where a sugar refinery has been installed. The second plan envisgaes a total area of about 6,400 hectares under sugar-cane by the end of 1978, owing mainly to the efforts of family scale and commercial plantations in the region of Kompong Kol.

Tobacco cultivation on family farms extends over an area of about 15,000 hectares on the banks of the Mekong river in the provinces of Kompong Cham, Kandal and Kratie. Production is currently estimated at an annual 10,000 tons, half of which is absorbed by the three large-sized cigarette manufacturers that meet domestic demand; moreover, small quantities of tobacco are exported. The total value of tobacco production is currently about 250 million riels and this accounts for approximately an equivalent amount of revenue to the state in the form of taxes.

Coffee cultivation has been developed in recent years with a remarkable degree of success; one plantation (Société Khmere des Plantations de Pailin) covering an area of a little less than 300 hectares meets the needs of the population, with a current annual production of 500 tons. The prospects for extending cultivation to permit exports appear attractive. Tea plantations are being developed in Kirirom on a small scale which is expected to be sufficient for meeting domestic requirements. The valleys in the higher ranges of Mondulkiri are considered suitable for tea and cinchona cultivation.

Livestock and fisheries

Livestock and fisheries production constitute 12 per cent and 7 per cent respectively of the total value added in the sector of agriculture, fisheries and forestry. Hog production is the most important element in livestock raising. The number of hogs more than doubled over the period 1955-65[3] The cattle and buffalo population rose by about 80 per cent over the same period. According to 1962 figures, some 400,000 hogs are consumed annually and about 100,000 are exported. Cattle consumption and exports are respectively about 50,000 and 10,000 head. The major role of cattle, water buffalo in particular, lies in their use as draft animals.

Fisheries exploitation on a family scale is widespread, and fish in various forms (fresh, dried, smoked, salted, etc.) constitutes an important element in the diet of the population. Cambodian river and lake waters are noted to be exceptionally rich in fish; production studies undertaken in 1962-1963 placed the annual catch in the range of 100 to 120,000 tons. Marine fisheries exploitation has, however, declined in recent years.

[3] Rémy Prud'homme, *L'Economie du Cambodge*, Presses Universitaires de Paris, 1969.

Industry

Prior to independence the organized industrial sector was of hardly any importance; the enterprises, apart from rubber processing, consisted of rice milling, oil pressing, and artisan activity in weaving, pottery and the like. Cambodia has, however, made notable efforts to industrialize since independence. Over the period 1952-1964, value added in the industrial sector (inclusive of construction) more than doubled, with an average annual rate of growth of a little over 8 per cent. With construction activity expanding at a rate of a little over 13 per cent, the range of industries producing construction materials expanded at the same pace. The austerity regime introduced in 1963 has, however, been responsible for slowing down both construction and construction materials industries.

The Government of Cambodia has played the most active role in accelerating the process of industrialization of the country. Apart from offering various incentives to stimulate private industrial enterprise, it has established a wide range of industries in the public sector as well as in association with the private sector (mixed enterprises).

Notable among the public sector undertakings, are several water supply systems, a cement factory, a paper mill, three textile units, two cotton ginning units, a sugar refinery, a glass factory, saw mills, a plywood factory, a tyre factory, a distillery and a brewery.

Among mixed enterprises are electricity undertakings, an oxygen and acetylene plant, cigarette and match manufacture, a jute-textile mill and the recently completed petroleum refinery (table II-2-2).

External financial assistance for the establishment of public and semi-public industrial enterprises has come from mainland China for the construction of two textile units, a plywood factory, a paper mill, a cement factory and a glass factory. The sugar refinery, tyre factory and tractor assembly units have been set up with Czechoslovak assistance. The jute mill was established with British assistance and the petroleum refinery is the major achievement of French assistance.

Although large-sized industrial units are exclusively public and semi-public enterprises, the greater part of value added in the industrial sector is accounted for by the activities of a large number of medium and small-sized individual enterprises in varied lines of simple consumer and capital goods industries (rice-milling units constituting the largest number). The national accounts for the year 1964 revealed that 65 per cent of the value added in the industrial sector came from private individual enterprises, 32.8 per cent from private corporations and mixed enterprises, and only 2.8 per cent from public enterprises. Foreign private capital and enterprise have played a rather small role in the industrial development so far realized in Cambodia.

Table II-2-2. Cambodia. Public manufacturing enterprises, 1967

Product	*Unit*	*Output*	*Employment (persons)*	*Investment (mln riel)*
Ginned cotton	'000 tons	20	60	42.8
Sugar	tons	8,585	396	106.9
Beverages				
beer	mln l	6	150	250.0
distilled	mln l	9	750	150.0
Cigarettes[a]	mln pcs	1,920	340	45.0
Jute textiles[a]	mln sacks	6	700	115.0
	'000 m	274		
Textiles[b]				
yarn	tons	1,200	1,850	259.3
fabric	'000 m	9,600	300	7.0
Lumber	'000 m^3	10	185	100.0
Plywood	'000 m^3	3		
Paper	tons	2,762	380	82.8
Tyres	'000 pcs	45	300	211.0
Industrial gases[a]			60	25.3
oxygen	mln m^3	140		
acetylene	'000 m^3	18		
CO_2	'000 m^3	282		
Petroleum products[a]	'000 tons	300	150	700.0
Cement	'000 tons	59	738	500.0
Glass	'000 tons	3	370	120.0
Motor vehicle assembly			100	47.0
trucks	units	400		
tractors	units	300		

Source: Ministere du Plan, *Annuaire Statistique du Cambodge*, 1968.

Notes: [a] Mixed enterprises, state and private participation.
[b] Two enterprises.

The second five-year plan stresses the importance of improving the managerial efficiency of the existing public and semi-public enterprises and aims at capacity utilization through adequate supplies of agro-industrial materials.[4] Given the limited size of domestic markets and the absence of proven mineral resources on a significant scale, further industrial development over the plan period is envisaged in directions governed by the immediate market possibilities. In addition to doubling the capacity of the existing cement plant, a new cement plant with 200,000 tons capacity is envisaged. An urea plant of 35,000 tons capacity, a starch-making plant of 90,000 tons capacity (based on maize and producing also glucose at a later stage), a vegetable oil extraction mill of 15,000 tons capacity, a synthetic yarn

[4] Ministère du Plan, *Deuxième Plan Quinquennal (1968-1972)*.

plant of 2,000 tons capacity, and a paper pulp mill (based on pinewood) of 5,000 tons capacity are among the important new projects envisaged. The motor vehicle assembly plant is expected to increase the number of tractors assembled from 300 in 1968 to 500 in 1972. The assembly of motor cycles is expected to rise from 1,000 to 10,000 over the same period. Motor pump assembly at an annual rate of 20,000 pumps is programmed to begin in 1971-1972. This will permit an annual addition of about 100,000 hectares to the amount of land under irrigation.

The second five-year plan underlines the importance of encouraging private enterprise in lines of activity other than those reserved for public enterprises, and stipulates that foreign investors be given the same advantages as national investors, in addition to the facilities relating to the transfer of profits and repatriation of capital.

Infrastructure

The construction of the modern port of Sihanoukville which now handles around 750,000 tons of cargo annually, and the completion of the 263 km Phnom Penh-Sihanoukville railroad early in 1970 (both with French assistance) together with the Phnom Penh-Sihanoukville highway completed earlier (with American aid), have contributed to a massive strengthening of the economic infrastructure in Cambodia. Furthermore, the modern port town of Sihanoukville is being developed as a major industrial centre with the petroleum refinery plant and brewery already in operation and with power generation of 1,000 kW capacity. Several new industrial units under the public sector such as an urea plant, a vegetable oil mill and a starch factory are to be located at Sihanoukville.

Given the speed at which activities at Sihanoukville port are growing (from 95,000 tons of cargo in 1961 to 750,000 tons in 1968), the second five-year plan envisages the expansion of the port capacity to handle 1,200,000 tons annually by 1972. Establishment of a free industrial zone at the port, with a view to stimulating entrepôt industrial activities by Cambodian and foreign enterprises, is being studied.

The total supply of electric power in 1967 was of the order of 165 million kWh, which is expected to rise to about 320 million kWh by 1972 with the completion of the two major hydro-electric projects on which work began in 1968: namely the hydro-electric power station at Kirirom (50 million kWh) and the Phnom Penh thermal power station (100 million kWh). Work on the Mekong Committee's hydro-electric project at Prek Thnut is expected to start in 1971.

Tourism

The historic riches of Cambodia at Angkor have attracted international visitors at a rapidly expanding rate in recent years, as improvements have been made in tourist facilities and arrangements for international airlines. Exchange earnings from tourism increased steadily from 16 million riel in 1965 to 75 million riel in 1968. The total number of tourist visitors to Cambodia rose from 22,000 in 1964 to 35,000 in 1968; half-year figures for 1969 suggest a further increase of nearly one third in the number of tourists in that year. Given the growing international interest in the cultural heritage of Cambodia and the speed with which the country is being integrated into the international air network, the tourist potential is great.

The Second Five-Year Plan visualizes an increase in the number of tourists to more than 100,000 by 1972. The actual investment outlay in tourist infrastructure over the first two years of the plan period exceeded the figure of 110 million riel anticipated for the entire five-year period. International technical and financial assistance for the development of tourist infra-structure in the Siem Reap-Angkor area is under active consideration.

External trade and balance of payments

Total merchandise imports into Cambodia in the year 1968 were of the value of 3,416 million riel as against total merchandise exports valued at 3,038 million riel. Rice and rubber together account for about three-quarters of total export earnings, with maize as the other single important item accounting for about one tenth of total exports. Among the other items which together add up to about 15-20 per cent are pepper, beans, minor forest products and kapok. The average percentage distribution of the principal items in total export earnings of the economy over the period 1957-1966 are as follow: rice (41), rubber (33), maize (9), others (17).[5]

The direction of export trade over the period 1957-1964 indicates that about 33 per cent of exports were destined for other Asian countries, 26 per cent for France and the franc zone, and 41 per cent for the rest of the world. Singapore and Hong Kong are the two most important countries for exports in the Asian region, with mainland China and Japan ranking next in importance. Apart from the traditional links with France, exports to franc zone countries have acquired importance in recent years, especially exports of rice to Senegal. Among the countries in the rest of the world, exports to the United States constituted as high as 30 per cent of total exports in 1959 but currently account for only about 5 per cent. In recent years, trade with East European countries has been gaining in importance.

[5] Remy Prud'homme, *op. cit.*

In respect of imports, the Asian region accounts for 35 per cent of total imports, Western Europe for 43 per cent (of which France alone accounts for 19 per cent), Eastern Europe for 7 per cent and the United States and Canada for 20 per cent.

A study of the commodity structure of imports over the period 1957-1966 shows that metals and metal products constituted 28 per cent of the total, textiles 15 per cent, food products 11 per cent, vehicles 8 per cent, mineral products 7 per cent, cement 3 per cent and the rest 27 per cent.

The balance of trade has been maintained in recent years principally by restricting the size of imports. It is expected that the favourable export prospects of the current year will facilitate a higher level of external trade.

External aid to Cambodia over the past four years has had modest proportions, with 156 million riel in 1965, 556 million riel in 1966, 156 million riel in 1967 and 477 million riel in 1960. Cambodia became a full member of the Asian Development Bank in 1968, and recently joined the international Monetary Fund and the World Bank. In autumn 1969, the currency was devalued by 57 per cent, establishing the current rate of exchange at 55 riel per dollar.

Public finance

The total budgetary expenditure in 1968 was of the order of 7 billion riel; 42 per cent consisted of expenditure on civil administration personnel and 19 per cent on defence personnel. Equipment for civil administration and defence accounted for 16 per cent, and debt servicing for 8 per cent. Capital expenditure (investment) constituted 13 per cent. In respect of sources of finance for budgetary expenditure, receipts through direct and indirect taxation (other than customs and excise) constituted 31 per cent and receipts through excise and customs accounted for 35 per cent. National Bank of Cambodia advances and other borrowings provided 13 per cent of budgetary finance. Whereas foreign aid support to the budget averaged 400 million riel over the period 1960-1963, since 1964 this has been totally absent. Moreover, borrowings have played an increasing role since 1964.

Economic policy

In 1963 some major lines of economic activity such as import-export trade, banking and insurance were nationalized. The subsequent years witnessed a further nationalization of several business enterprises. However, in the autumn of 1969 the Government announced a major policy re-orientation towards liberalization and "dis-engagement". This meant that the Government would withdraw from previously nationalized lines of activity which it considered itself inadequately qualified to manage. State control would remain wherever it was deemed necessary, care being taken to maintain and improve economic efficiency.

The import-export trade is no longer a state monopoly although the export of rice and its derivatives, maize and rubber, and the importation of products financed by Government's own exchange resources remain exclusively in the hands of the public sector. Practically all fields of domestic production and service activity are open to private enterprise. Government monopoly is restricted to the generation and distribution of electric energy (with installed capacity exceeding 500 KVA), production of arms and ammunition, and railways, telecommunication and postal services. Commercial banking operations continue to be carried on exclusively by state-owned banks, but establishment of private financial institutions for dealing in medium and long-term credit is now permitted.

Ceylon

Introduction and general outlook

After the disappointing growth rates in 1965 and 1966, the gross national product rose by 4.4 per cent in 1967 and by a spectacular 8.3 per cent in 1968. In 1969 the rate of growth of gross national product was 5.7 per cent.[6]

Significant change is taking place in the composition of output as production for domestic use, especially in agriculture, is becoming increasingly important in the wake of difficulties to expand exports.

The growth rate in agriculture is mainly a reflection of the success of Ceylon's self-sufficiency programme in rice and other foodstuffs. Rice production in 1969, however, remained stagnant because of drought, occurring in several places. Production of subsidiary foodstuffs, on the other hand, rose significantly in 1969, but export crops showed declines.

In manufacturing, increases occurred mainly in the output of electrical machinery, rubber goods, garments, cement and animal and poultry products. State Industrial Corporations have contributed greatly to the increase in output and most of them have been transformed into viable commercial undertakings.

[6] Growth rate for 1969: Official estimates from Ceylonese authorities; earlier years from the Central Bank, *Annual Report 1968*. *The Statistical Pocketbook of Ceylon*, issued by the Department of Census and Statistics, gave the following growth rates in GNP: 1966: 4.6 per cent, 1967: 5.3 per cent and 1968: 7.8 per cent.

Most of the growth in manufacturing occurred as a consequence of the devaluation and the introduction of the Foreign Exchange Entitlement Scheme which liberalized imports, mainly of raw materials and machinery. Sustained growth in this sector will require stepping up investment outlays.

Ceylon's success in boosting its production for domestic use should not disguise the fact that production for exports still constitutes a large share of GNP and the adverse movement in the terms of trade should be taken into account when estimating the real rate of growth. Terms of trade during 1968 fell by 7.9 per cent, resulting in a loss of income of Rs 821.3 million in that year as compared with a loss of Rs 667.1 million in 1967 (in constant 1959 rupees). Real National Income, adjusted for adverse movements in the terms of trade, amounted to Rs 8,042.2 million in 1968 and Rs 7,512.0 million in 1967. The growth rates in both years were correspondingly reduced to 7.0 per cent and 2.5 per cent respectively. Real gross national product was reduced by Rs 811 million in this respect in 1969.[7]

The rapid growth of national income in the past few years, as well as devaluation of the currency, has resulted in a rise in the cost of living. Prices which had been kept stable for a long time started to rise in 1967 and continued to increase in both 1968 and 1969. By August 1969, the average price index was 7 per cent above the level of the same period in 1968. The pay rise accorded to civil servants on 1 October 1969, coupled with the partial devaluation under the Foreign Exchange Entitlement Scheme will continue to stimulate prices, and restrictive credit policies are maintained although the government budget shows an ever larger deficit. The increase in the price level has created some unrest; strikes and disorders became more frequent in the latter part of 1969. The picture for 1970 shows the dominance of the balance of payments problem over other issues. In 1969, rubber prices were unexpectedly high. Even if they stay at this high level, and allowing for larger aid inflows, Ceylon's capacity to import will be significantly less than in 1969. In 1969, foreign reserves continued their downward trend and the FEEC rate was again devalued to 55 per cent above the official rate. The repayment of foreign loans and short-term liabilities falling due will necessitate a scaling down of the import programme. If aid disbursements can be stepped up, and the lag between aid commitments and arrivals shortened, the outlook may be not as grim as it looks at present. The aid-Ceylon group of donors, meeting in February 1970, have in fact committed much larger amounts of aid for 1970. A serious shortfall in necessary imports will seriously dampen the growth rate, especially in the manufacturing sector. Although the agricultural sector is expected to do well in 1970, the rate of growth will also depend on availability of imported inputs.

Production trends in domestic agriculture

As stated earlier, the growth in GNP in the last three years has been mainly due to Ceylon's success in boosting domestic agricultural production after the drought in 1965. This was accomplished by a set of policies which included substantial subsidies for fertilizers, irrigation, water and seeds. Tractor services are also made available at subsidized rates from government pools, raising the guaranteed price and direct government investment in agricultural infrastructure and in the opening up of new lands. It must be noted that rice, the most important staple in the diet in Ceylon, accounts for about 75 per cent of total cereal consumption. Large quantities must be imported as domestic production still supplied only about 75 per cent of consumption in 1968. Ceylon expects to achieve self-sufficiency in rice and certain subsidiary food crops by 1973/1974.

In 1969, production in the *maha* season was 46.3 million bushels, 6 per cent above the previous *maha* harvest, Production in the *yala* season, however, was adversely affected by a severe drought and the production for the whole year was practically the same as in 1968, falling short of the target set earlier. Floods in the last months of 1969 also affected production, but tanks and irrigation works were filled to the brim with water and damage from the floods will be offset by increased output in 1970.

The spur to the success of the rice production drive outlined above was mainly the balance of payments problems facing the country, accentuated by the rice shortage in world markets with its adverse repercussions on prices during 1966-1967. The success of the import-substitution policy can be measured by the declining imports of rice, from 642,000 tons in 1965 to 333,984 tons in 1968 and to 259,558 tons in 1969. As a percentage of estimated total consumption, imports declined from 57 per cent in 1965 to 29 per cent in 1968. Because of rising rice prices, however, rice imports did not decline as fast in value terms. The value of rice imports only declined from US$58 million in 1965 to US$52 million in 1968.

[7] Central Bank, *Annual Report 1968*, p. 40; 1969 figures from Ceylonese authorities. The terms of trade effect is calculated as follows: exports are first deflated by an export price index at fixed weight of the year 1958 to obtain exports at constant prices. Constant-price exports of tea, rubber, and other commodities thus obtained are then deflated by a common import price index which is made up of import prices in rupee terms without the FEEC. The weight used for exports covers 99 per cent of exports while that of imports covers more than 84 per cent of total imports. The difference between the corrected export figures and the original export figures is then substracted from or added to GNP to obtain Gross National Income.

It has in fact been alleged that imports of rice did not fall as fast as they should have, given the production increases during the last three years. Thus, despite the impressive increase in rice production and the decline in imports, the domestic price of rice, almost paradoxically, continued to increase. In 1968, imports of rice were only 37,000 tons lower than in the previous year, although production at 858,000 tons was 128,835 tons higher than in 1967. In addition to rice, Ceylon consumes a large amount of wheat which is all imported. In 1968, wheat imports amounted to 359,000 tons. The total cereal supply adjusted for stocks was 1,494 thousand tons. This is still considered only 90 per cent of demand at 1,660 thousand tons.[8] Stock-building is given as another reason for large imports of rice in 1968.

The increase in demand for rice is probably due to rising incomes. It is believed that the halving of the ration in 1966 to one measure of 2 lb per week has repressed demand and caused the rice price in the free market to double, from Rs 0.80 to Rs 1.60. Assuming a per capita consumption of 228 measures a year, the old ration provided about half the consumption but the new measure provides only a quarter. The cut in the ration apparently provided the necessary incentive to the farmers to produce more for their own consumption and the higher price resulting from the reduction in the ration also stimulated production. Since the cut in the ration, the open market price tends to be higher than the guaranteed price given by the Government, making it difficult for the Government to purchase sufficient quantities. This may be another reason why imports were not further reduced. The guaranteed price paid to farmers, which had stood at Rs 12 per bushel since September 1952, was increased to Rs 14 at the time of the November 1967 devaluation. The landed cost of imported rice increased from Rs 7.32 per bushel in 1966, to Rs 13.6 in the first half of 1968. Meanwhile, the weighted average price received by producers rose from Rs 11.6 per bushel in 1966 to Rs 13.6 in 1967 and Rs 15.9 in 1968. The quantity of rice purchased under the guaranteed price scheme was 60 per cent of the total output in 1965/66 but declined to around 25 per cent in 1967/68.

Ceylon's import-substitution policy extends also to subsidiary foodstuffs as a large amount of foreign exchange has been spent annually on such foodstuffs as chillies, potatoes and red onions. The import bill for such foodstuffs was $18 million in 1968, or about 4.5 per cent of total imports. Imports of potatoes have been banned since 1967. In 1969 production of potatoes rose by 168 per cent, chillies by 120 per cent, groundnuts by 70 per cent, maize by 31 per cent and red onions by 4.3 per cent.

[8] Based on per capita rice consumption of 228 lb and wheat consumption of 82 lb per year: *Central Bank Report, 1968*, p. 17.

Production trends in export agriculture. Tea production in 1969 declined by 2.3 per cent to 484.2 million lb. Export volume during 1969 was 444.7 million lb, or 3.2 per cent below that of 1968. A fall in price of 14 cents per lb accentuated the decline, and the net earnings from tea exports were only Rs 1,061 million, or 8.6 per cent less than in 1968.

Apart from the increasing quantities being offered at the Colombo auctions, the large accumulation of tea in London and the withdrawal of the USSR from the Colombo tea market after purchasing an estimated 4.5 million lb, may have also been responsible for the decline.

The long-term prospects for tea are still discouraging. Over the decade, export volume rose by 30 per cent, but revenue from exports remained stagnant. In the future, emphasis will be placed on exporting higher quality tea.

In order to help the industry, the Government introduced, with effect from 9 June 1969, a new sliding scale of export duty rebates which makes a distinction between teas from different elevations.

The Government has held discussions with the Government of India on a joint approach to review the market situation and to stimulate and regulate the exports of tea from the two countries. The main problem, however, continues to be the stagnant demand for tea in world markets although production increases by about 3 per cent annually.

Production of rubber in 1969 was 332.5 million lb, up by 1.4 per cent from 1968. Exports in 1969 were 314.8 million lb, a decrease of 4.1 per cent from the preceding year. This was more than offset by a 36 cent per lb rise in the average price to Rs 1.37, making possible an increase of 30.2 per cent in export earnings from rubber in 1969. Rubber production and exports have increased steadily over the past few years. Between 1965 and 1968, rubber production rose by 25.7 per cent. Yields improved from 590 to 671 lb per acre, an increase of 13.7 per cent. This was due mainly to the replanting programme under which subsidies are paid for replanting uneconomic rubber acreage with high-yielding clones. The total acreage replanted under the scheme amounted to 264,047 acres at the end of 1968, almost half the total acreage under rubber.[9]

Coconut products exports, the third most important export crop of Ceylon, suffered a setback in 1969 when earnings from all three main export products, (dessicated coconut, coconut oil and copra) were only Rs 221.4 million, 33.2 per cent less than exports in 1968. Export volume in the period contracted drastically; accentuated by price falls in all

[9] *Economic and Social Progress*, p. 29.

three principal coconut products. Production in 1969, at 894.6 million nuts, was 18.3 per cent less than in 1968.

Production Trends in industry

The high rate of growth of manufacturing and construction during 1968 was mainly due to the liberalization of imports instituted when the FEEC Scheme[10] was put into effect and the bulk of intermediate goods imports was put under open general licence. It therefore meant a higher rate of capacity utilization in manufacturing rather than the commissioning of new factories.

Production of most commodities in the State Industrial Corporations attained higher levels in 1969 than in the previous year. Cement production rose by 27 per cent, cement bags by 91 per cent, textiles by 54 per cent and yarn by 25 per cent. Production increases ranging between 11 per cent and 77 per cent were recorded for tyres, ilmenite, poultry feed, ceramic ware and sanitary ware. Several other industries suffered minor setbacks in production. Although private sector production figures are not yet available, there are indications of a similarly favourable performance in that sector. Public sector production is quite important in Ceylon as it accounts for 10-20 per cent of total manufacturing production.

The increasing output in most of these state factories, apart from the boost they were given from liberalization of imports, stems from the efforts to improve their management and operational efficiency. As a result, profit levels have risen steadily and have contributed considerably to government revenue. By 1969, all except two corporations under the Ministry of Industries had been turned into viable commercial undertakings. Profits before taxation in state companies increased from Rs 13.2 million in 1965/66 to Rs 35.4 million in 1968/69. They are expected to rise further to Rs 51.2 million in 1969/70.[11] A survey made on return on investment before tax in all state corporations shows an everage rate of 5.2 per cent in 1967/68 and an estimated 8 per cent average rate for 1968/69.

Despite these encouraging features, the industrial sector in Ceylon is still faced with problems. The most important problem seems to be the apparent lack of direction of the industrial sector within over-all planned development.

The mere fact that state corporations are publicly owned does not make it easier to direct them towards the desired path of planned industrial development. The requirement for them to become commercial and the consequent drive to increase surpluses, while be neficial from the standpoint of government revenues, will certainly not by itself contribute to effective control over industrial development. In the past, precious foreign exchange has been spent on the setting up of industries which have later been said to be inessential for generating further growth. This has happened in spite of the directives for industrial development in 1966 which were supposed to set the priorities for industrial development.

A related problem is the failure of assembly plants to comply with the stipulation to increase progressively components manufactured in Ceylon. The Ministry of Industries has issued a warning to such industries, mainly in the private sector, that their registration licences will be cancelled if they fail to manufacture components locally.

In addition, the Ministry of Planning, with the assistance of UNDP and in consultation with the Ministry of Industries, is drawing up an extensive industrial development plan. Of great importance to future industrial development planning is the recent restructuring of the Industrial Development Board, established in 1965. After parliament's approval of the new Industrial Development Act, the completely restructured Industrial Development Board will be set up in February 1970, carrying out its functions through a number of divisions and agencies. The act also provides for an Industrial Development Fund to be financed from a special cess on manufacturing industries.

A survey conducted by the Central Bank indicates that consumer goods accounted for 49.7 per cent of total production in 1968, down from the 63.3 per cent in 1964. Intermediate goods accounted for 34.2 per cent as against 27.2 per cent in 1964, while investment goods increased from 9.5 per cent in 1964 to 16.1 per cent in the same period.[12]

The period 1960-1964 saw the mushrooming of light consumer goods industries in response to the severe import restrictive policies imposed in the wake of balance of payments difficulties. Ceylon's small market limits the growth of intermediate and capital goods industries. As so often happens where import-substitution industries take the form of finished consumer-goods industries, manufacturing in many cases has a high import content. Imported inputs account for between 50 and 60 per cent of total value in condensed milk and some metal and engineering products.

With regard to private foreign investment, the policy to be followed by the Government is laid out

[10] The FEEC Scheme is discussed under *External Economic Relations*.

[11] State Corporations observe the financial year 1 April to 31 March in contrast to the financial year 1 October to 30 September observed by others. Source: Ministry of Industries and Fisheries.

[12] Central Bank of Ceylon, *Annual Report 1968*, p. 65.

in a paper issued by the Ministry of Planning and Economic Affairs in March 1966. Apart from the usual incentives offered by most developing countries, the new policy also assures free transferability of profits and dividends.[13] The last provision constitutes a considerable concession as remittance of current profits and dividends has been under moratorium since June 1964, though slightly liberalized in August 1965 when the new Government came to power. With the introduction of the Foreign Exchange Entitlement Scheme (to be discussed more fully under the section on trade), in May 1968, equity and loan capital as well as profit remittances qualify for the FEEC rate. Liberal rules for transfer of salaries and savings by foreign personnel are also provided under the May 1968 FEEC Scheme.[14]

Despite the advantages provided, foreign investment has been rather slow in coming into Ceylon. One of the reasons has been that the Ceylon Government has been quite strict in approving such investment projects. A clearer policy statement on the respective roles to be played by the public and private sectors should also help to encourage the inflow of foreign private capital. Up till the middle of 1969, only about thirty projects in which there is foreign participation had been approved. These projects include jeep and scooter assembling, batteries, bulbs, glass products, cotton and synthetic garments, diesel engines and radios.

Industrial development will receive a further boost from the establishment of auto-assembly plants in Ceylon as a result of joint-venture projects. A Japanese company is already in operation with a small production, geared primarily towards the export market, and two other Japanese firms have been granted licences to produce cars for the home market.

The Foreign Exchange Budget

In August 1969, the 1969 Foreign Exchange Budget was published by the Ministry of Planning and Economic Affairs.[15] Based on the performance of exports in the first months of 1969, especially on the sharp fall in tea prices in April, exports were revised downward to Rs 2,031 million from the earlier estimate of Rs 2,076 million. Imports were to be held at a level of Rs 2,522 million, indicating a trade deficit of Rs 491 million. The service account is projected to show a net deficit of Rs 81 million. This is mainly the result of increasing net outpayment of interest, profits and dividends and of private transfers which were expected to be larger than the net receipts from port operations of Rs 111 million.

Preliminary trade figures for 1969 show a larger deficit than expected. Imports were much higher than anticipated, mainly because the drought during the *yala* season necessitated larger food imports which, at $107 million, were $10 million higher than originally envisaged. Exports also fell short of expectations because declining tea prices were not fully offset by booming rubber prices. The increasing debt-service burden further aggravated the deteriorating payments position.[16]

Apart from drawing further on its already low exchange reserves, Ceylon had to resort heavily to short-term borrowings from foreign commercial banks and entered 1970 with a much weakened liquidity position. Increasing aid arrivals as a result of larger aid commitments made in March 1969 will somewhat alleviate the precarious position.

The trend in international trade

While production for domestic use showed encouraging progress and contributed to the relatively high rates of growth in both 1968 and 1969, the performance of exports was much less satisfactory. Exports during 1969 were only Rs 1,875 million, down by 5 million from 1968. The export value of tea and coconut products declined by 8.6 per cent and 33.2 per cent respectively. Had it not been for increased rubber exports, exports during 1969 would have given an even poorer performance.

Ceylon's minor exports rose rapidly from a small base and, at Rs 162 million, were 6 per cent above the 1968 figure. This was not only due to the upward revision of the FEEC rate, because minor exports in dollar terms rose significantly as well.

The increase in exports of manufactured goods, although from a smaller base, has been of major importance since the introduction of the FEEC scheme in June 1968. During 1968, these exports rose by 53 per cent, measured in US dollar terms. The sectors which expanded most rapidly were iron and steel items, aluminium products, boots and shoes, chocolate and chocolate products, clothing, tinned and bottled fruits, glycerine and tea machinery. Liberalization of imports made possible the fuller utilization of capacity by making available hitherto scarce quantities of raw materials and essential inputs. Other incentives include a full rebate on import duty on raw materials used for exports, exemption from turnover taxes and excise duties, a three-year tax holiday in respect of profits derived from approved new industrial exports, an income tax rebate and full deductibility of marketing expenses abroad.

[13] *Government Policy on Private Foreign Investment*, March 1966.

[14] Ministry of Planning, "The Foreign Investor and the FEEC Scheme" (mimeographed, unpublished).

[15] Ministry of Planning and Economic Affairs, *Foreign Exchange Budget 1969*, August 1969.

[16] Interest and repayments amounted to 14 per cent of export earnings during 1969.

One potential minor export, precious stones, did not seem to be growing fast, although unrecorded exports of such stones are believed to be substantial. To encourage such exports, gem exporters are given a licence for the import of precious stones and precious metals up to 25 per cent of their export earnings and the export duty on gems was abolished in November 1968, but these incentives do not appear to have been sufficient.

Table II-2-3. Ceylon: Quantity and value of exports, 1968 and 1969

Commodity		*Year*	*Quantity*	*Value Rs million*	*Price Rs*
Tea	million lb	1968	459.6	1,161	2.53
		1969	444.7	1,061	2.39
Rubber	million lb	1968	328.3	331	1.01
		1969	314.8	431	1.37
Three major coconut products:					
Dessicated coconut .	cwt	1968	1,381,803	164	118.5
		1969	1,017,251	87.4	85.9
Copra	cwt	1968	21,257	34	1,585
		1969	19,044	26	1,365
Coconut oil . . .	ton	1968	1,261,158	133	105.4
		1969	1,104,518	108	97.5
Other exports . . .		1968	—	153	—
		1969	—	162	—
Total		1968	—	1,975	—
		1969	—	1,875	—

Source: Ceylon authorities.

Changes in commercial policy

Under the Foreign Exchange Entitlement Scheme introduced in May 1968, certificates are issued to those who surrender foreign exchange to commercial banks against the exports of new commodities, (thus excluding tea, rubber and coconut products, the three major exports, but coir fibre is entitled to the certificate), and also against certain inward remittances, such as tourist expenditures and approved capital investments. Holders of these certificates are entitled, subject to proper import and Exchange Control requirements, to purchase foreign exchange from banks at their selling rate for the payment of certain items of imports and other remittances as specified. The FEEC bonus over the official exchange rate of Rs 5.95 per US dollar, was set at 44 per cent in June 1968 and increased to 55 per cent in June 1969 as a consequence of continuing pressures on the rupee. This gives an effective rate of Rs 9.23 per US dollar for the commodities falling under the scheme.

Merchandise imports are classified into "A" and "B" categories. All payments for A category imports are to be made at the official rate while the B category is sub-divided into two groups. One group is subject to quota allocations in the foreign exchange budget but requires, in addition, the surrender of certificates. The second group comprises Open General Licence Imports[17] which also require the surrender of certificates to the full value of the foreign exchange payment. The previously levied 10 per cent licence fees on commercial imports have been abolished. Aid imports falling within the A category are exempted from licence fees, but aid imports falling within the second group of the B category are subject to an import licence fee of 20 per cent. Payments for such imports do not however require the surrender of certificates. Imports under the Open General Licence system can only be made against letters of credit and certificates have to be surrendered at the time of opening letters of credit. Certain countervailing changes have also been made in the import tariff structure consequent upon the implementation of the Foreign Exchange Entitlement Certificates Scheme. All other payments, except for certain classes specifically exempted, require the surrender of certificates of equivalent value. Since October 1969, imports by government departments, with a few exceptions, were put under the FEEC scheme. They were previously exempt.

The raising of the rate of FEEC to 55 per cent in June 1969 was prompted by the bunching of payments due to the arrival of imports which had been ordered during 1968 and the first months of 1969 under the Open General Licence Schemes. The decision to raise the FEEC rate was also meant to create more selectivity in industrial development and to encourage further import substitution.

[17] *Ceylon Daily News*, 7 December 1969.

Imports during the first seven months of 1969 were Rs 1,456 million, or 11.2 per cent above the 1968 figure. The trade deficit for that period is Rs 286 million, larger than the deficit experienced in the same period of 1968.[18]

Although there was a better aid inflow, the discouraging performance of exports, coupled with payments on external debts and other outflows during 1969, forced the Government to adopt a cautious attitude towards imports. Re-introduction of control of certain imports and cuts in import quotas already issued became necessary. The outlook for 1970 is bleak and free foreign exchange for imports is likely to be only about two thirds of the amount for 1969, about Rs 1,500 million as against Rs 2,100 million. In 1970, an estimated Rs 934 million will be required to maintain a fairly extensive Open General Licence system, but only about Rs 775 million is likely to be available.[19]

Foreign aid inflow

Since aid from Western countries to Ceylon was resumed in 1965 when the new Government came in, and Ceylon pledged to pay compensation to foreign oil companies, five meetings of donor countries were convened by the IBRD for the purpose of mobilizing aid to Ceylon and these resulted in five programmes of aid. Project aid during these years has not been as important as commodity aid, but its importance has increased in the last two years. Total project aid pledged has been increasing steadily from Rs 26.4 million under the first programme to Rs 91.6 million under the fifth programme.[20]

Commodity aid pledged was much larger and shows a similar rising trend; from Rs 200.9 million under the first programme to Rs 401.8 million under the fifth programme. By 30 June 1969, aid arrivals were only Rs 724 million, or 73 per cent of aid pledged under the first four programmes. A breakdown of aid arrivals by commodity shows that wheat flour and fertilizers are the two most important commodities under the aid programme, followed by industrial raw materials.

Actual commodity aid arrivals in 1969 were Rs 300 million, 15.7 per cent higher than in 1968. Project aid amounted to Rs 50.4 million, 15.6 per cent higher than in 1968.

The original estimates envisaged a gross utilization of Rs 213 million from project loans and grants and Rs 263 million from commodity aid in the 1968/69 financial year. Revised estimates put project and commodity aid utilization respectively at Rs 170 million and Rs 280 million. (United States PL480 aid is considered as project loans as its counterpart is used for agricultural development).[21] In February 1970, the aid-Ceylon group committed Rs 640 million worth of aid as against Rs 575 million in 1969 and actual disbursements of only Rs 360 million.

Monetary policy and the behaviour of prices and wages

During the first eight months of 1969, money supply decreased by Rs 32.7 million, or 1.7 per cent, over the same period of last year. This is in contrast to the increase in money supply by Rs 31.9 million, or 1.8 per cent, during the first eight months of 1968. The main expansionary factor was bank credit to the private sector, which rose by Rs 153.5 million. Government corporations shared Rs 54.8 million of the total, co-operatives Rs 27 million and the rest of the private sector took the remainder. Credit to the Government from the banking system increased by Rs 70.9 million. The main contractionary factor was the fall of foreign assets by Rs 204.0 million, reflecting the deficit in the payments account. This was reinforced by a substantial increase in fixed and savings deposits by Rs 96 million.[22]

For the past six years, the Government has followed a restrictive credit policy to check the rapid expansion of credit and this policy continued into 1969. With the introduction of the FEEC scheme in 1968, the bank rate was again raised from 5 per cent to 5.5 per cent and selective credit control was imposed. In September 1968, further restrictive measures were taken and commercial banks were told that, at the end of 1968, they should not raise the level of credit more than 8 per cent above the level of 31 August 1968.

In January 1969, and again in May 1969, the restrictive ceiling policy was reiterated. The May 1969 circular instructed banks not to increase their level of advances to the private sector by more than 7 per cent of the April 1969 level, but loans to the export sector, including tourism, might be advanced by another 7 per cent. With effect from 16 June 1969, commercial banks were also instructed to bring credit to public corporations under the ceiling imposed and to refrain from extending credit for non-essential purposes. On 12 January 1970, the bank rate was again raised from 5.5 to 6.5 per cent. Interest on Government long-term securities has also gone up to 6.5 per cent.

The price level in Colombo, which started rising in 1967 after a long period of stability, continued

[18] IMF, *International Financial Statistics*, November and December 1969.
[19] *Ceylon Daily News*, 7 December 1969.
[20] Ministry of Planning and Economic Affairs, *Foreign Aid*, 1969.
[21] Central Bank, *Monthly Bulletin*, August 1969.
[22] *Ibid.*

to rise in 1969. Food prices during the first eight months of the year were, on average, 5.5 per cent higher and constituted the lowest average rise, fuel and light being the highest at 21.6 per cent. Export prices rose by only 7 per cent but import prices rose even less, by 4.1 per cent.

Meanwhile, for the first eight months of 1969, average wage rate indices for government employees and school teachers as well as indices for agricultural workers and industry and commerce remained unchanged, compared with the same period in 1968. The index of real wages, however, declined by 7.1 per cent as a consequence of the increase in the cost of living.[23]

On 1 October 1969, a pay increase was granted to public servants. This will cost the Government about Rs 125 million a year. In the meantime, the rising cost of living has touched off a wave of strikes. Strikes have occurred in the Tyre and Fisheries Corporation and the Ceylon Petroleum Board; a strike in the Electricity Department plunged the whole of Ceylon into darkness for twenty-four hours.[24] At the beginning of December, strikes in the railway system paralyzed railway transport and 14,000 dock-workers came out on strike for higher wages.

In the private sector, strikes were declared by the trade unions in October, demanding that private sector wages be revised considerably upwards. Minimum wages demanded for unskilled and skilled labour were Rs 195 per month and Rs 240 per month respectively compared with the existing levels of Rs 117 and Rs 130. Such demands seem to be justified as claims of underpayment in the private sector were confirmed by investigations made by the Labour Department.

Public finance

The total revenue of the Government of Ceylon for the first nine months of the 1968/69 financial year, October 1968 to June 1969, was Rs 1,733.6 million (Rs 1,492.1 in 1967/68). Original estimates for the whole financial year were Rs 2,338.5 million. At an annual rate of Rs 2,311 million, this figure falls slightly short of the target. However, figures for the first eleven months of the financial year for certain major items of revenue indicate an acceleration in the FEEC scheme revenue, which jumped from Rs 65 million in 1967/68 to Rs 252 million in 1968/69. However, customs revenues declined from Rs 777.8 million to Rs 743.8 million, mainly due to the abolition of the import licence fees in May 1968. Income tax receipts increased also, from Rs 252.9 million to Rs 305.2 million.

[23] *Ibid.*

[24] Mainly on account of the transformation of the Department into an Electricity Board.

Expenditure during the first nine months of the 1968/69 financial year was Rs 1,502.4 million compared with Rs 1,364.0 million in 1967/68. The current surplus therefore increased from 126.1 million in 1967/68 to Rs 231.2 million in 1968/69. During the same period, capital expenditure rose from Rs 299.3 million to Rs 394.9 million. Contributions to the sinking fund rose from Rs 88.3 million to Rs 103.1 million.

Revised estimates for the 1968/69 financial year show revenue to be Rs 2,461 million and current expenditure Rs 2,293 million, giving a surplus of Rs 168 million. Capital expenditure is estimated at Rs 906 million and net payment on advance accounts at Rs 25 million. The operating deficit is therefore Rs 764 million. This deficit has been financed by borrowings from domestic non-bank sources, use of commodity aid counterpart funds and external finance aid funds as well as by the issuance of treasury bills. Expansionary deficit financing was about Rs 153 million.

Meanwhile, the 1969/70 budget has been released, calling for record expenditure as well as revenue, at Rs 3,674 million and Rs 2,528 million respectively. The deficit will be financed as follows: domestic non-bank borrowings: Rs 375 million, commodity aid counterpart funds: Rs 325 million, foreign project aid: Rs 177 million, new revenue proposals: Rs 106 million and expansionary bank financing: Rs 84 million.[25]

With effect from the beginning of the financial year 1969/70, foreign exchange payments by all departments other than those of the Food Commissioner, the Railway and the Electrical Department, were brought within the scope of the FEEC scheme. This will be a self-cancelling device so far as the budget is concerned as the additional revenue derived will be matched by additional expenditure by government departments. As a result of the measure, it is estimated that about 50 per cent of all imports has been brought under the FEEC scheme.

China (mainland)

Introduction

The continuing lack of published statistics, coupled with large quantities of information of little solid economic content which can be verified through other means, makes for uniquely difficult problems in evaluating the mainland Chinese economy. The dramatic changes in the last few years have realigned the press closely to the Maoist or "leftist" line of stimulation of popular enthusiasm in which detailed economic information is difficult to isolate. Caution is thus necessary and the suggestions below are, by

[25] Budget Speech 1969/70, p. 28.

their nature, tentative. In agriculture, it is reasonably clear that output increased in 1969, and that a major strategy change involving a large increase in resources to agriculture, institutional changes and increased rural capital construction has been taking place from the mid-1960s with an acceleration in 1968 and 1969. In industry, output fell in 1967 and began to recover in 1968, the improvement apparently continuing in 1969. A change in strategy appeared in industry also, with a reversion to the policy of the very early 1960s of industry helping agriculture by providing necessary inputs. In addition, stress is now laid on the development of medium and small-scale enterprises rather than large ones, as in 1957 and 1958. The size of the population remains unknown, but various estimates have been made and are presented below. Foreign trade, which declined during the period of the "Cultural Revolution", began to recover in the second half of 1968. Sino-Soviet trade continues to diminish but an improvement in Chinese trade with Eastern Europe has occurred.

Agriculture

Important changes in policies towards agriculture have been made in mainland China in recent years, particularly since 1966, and the rate of change accelerated in 1968 and 1969. Major efforts to increase the supply of resources to agriculture are now occurring and major institutional changes are being attempted.

The increased resources for agriculture consist of more labour, more machinery, more fertilizer, more and better land by way of reclamation, an improvement in the quality of labour through better health facilities, more low-level technicians and an increase in vocational training in agriculture. In addition, the popularization of new and better seeds has continued and local research and experiments have been encouraged. There has been a great increase in these efforts during and since 1968. The increase of labour to agriculture comes largely from two sources, firstly from young persons transferred from urban to rural areas and secondly from cadres sent from offices and institutions to "May 7th" schools in rural areas.[26] The young intellectuals volunteered or were sent to rural areas in large numbers, beginning about September 1968, although this policy is not new and dates back at least to 1955. It has been reported that the total sent in this way was about 40 million up to 1964, and it is estimated that as many as 20 to 30 million were sent between autumn 1968 and autumn 1969 alone. The purely economic reasons for the policy are to achieve a reduction in urban unemployed youth, a reduction in urban congestion, a reduction in the problem of supplying food to the cities and an increase in labour power in the villages. The increase in the labour force in agriculture is about 6-9 per cent,[27] although due to lack of experience their effect may be smaller than the percentage increase might indicate. The cadres were transferred in an effort to reduce the bureaucracy and to add to the labour force in economic terms. The total involved is not known, but, in Tientsin, in the ten months from October 1968 to August 1969, over 11,000 entered "May 7th" schools, representing 10 per cent of the total office cadres of the city,[28] while, in one county in Shansi, two-thirds of the cadres were sent and, in some offices, 90 per cent entered "May 7th" schools.[29]

A distinct effort to mechanize agriculture is now underway, with big increases in the tractors available reported from different rural areas. It has been argued in mainland China that mechanization increases yield per man but not per hectare and would not add to total output but rather release labour for which employment could not be created. A contrary view, the one now current, is that mechanization can increase the yield of land by combining the use of mechines with labour intensive methods and so total output can rise. It has been claimed that ploughing by tractors rather than animals[30] can increase output by 10 per cent, and one brigade in Inner Mongolia reported a 7 per cent increase in yield by tractor ploughing and a 4.8 per cent increase by sowing with the use of machines.[31] It is further believed that the labour released can be employed, on labour-intensive projects destined to improve the rural infrastructure, such as roads and irrigation and drainage canals, and thus boost production. Employment can also be created by diversifying agriculture, setting up and running processing plants for rice and wheat, and in handicraft industries. In general terms, assuming unchanged techniques, the former view appears justified, but if techniques are changing, knowledge spreading and new products are emerging, then the current view may be justified. However, the problem of administering the large number of projects and allocating the exact quantities of materials and men in the right quantities and qualities at the right time existed in 1958 when it was attempted on a large scale and still remains today. A way of mechanizing agriculture avoiding the problem of released labour is to mechanize drainage, irrigation and processing first rather than to mechanize plough-

[26] "May 7th" schools were set up after Chairman Mao's call on 7 May 1966 and increased dramatically after October 1968.

[27] Based on a present agricultural working population of 350 million.

[28] *People's Daily*, 18 August 1969.

[29] Radio Peking, 27 October 1968; New China News Agency (NCNA), 12 December 1969.

[30] "Two diametrically opposite lines in agricultural mechanization", *Nung-yeh Chi-hsieh Chi-shu*, 9, 1968, Survey of China Mainland Magazines (SCMM) 632.

[31] "Conditions created by mechanization for penetrating and extensive development of production", *Nung-yeh Chi-hsieh Chi-shu*, 9, 1968, SCMM 632.

ing, which, it is reported, many places chose to do.[32] Honan Province reportedly sank 90,000 power-operated wells in 1968/69, 90 per cent more than the total before 1967, increasing the area under this type of irrigation to 660,000 ha.[33] Mechanizing irrigation and drainage by means of pumps can actually add to the demand for labour under certain circumstances, for example when weeds grow faster because of the improved growing conditions. The movement towards local small-scale industrial development also adds to labour demands for brick-making and construction work as well as for operating workshops or factories.[34]

Efforts have been made in recent years to improve the supply of fertilizer by means of mass labour collection of fertile materials,[35] construction of some large chemical fertilizer plants, e.g. in Hopei and Shansi, and particularly by great efforts to build numerous small chemical fertilizer plants. Fertilizers were in short supply in 1967 and early 1968. Major efforts to develop small-scale[36] locally-run chemical fertilizer plants were made in 1968, and especially in 1969, in almost all parts of the country, with Shantung, Kwangsi, Hopei, Honan and Heilungkiang in particular being singled out for mention in the press. These small plants use coke and other industrial by-products as inputs, together with any other suitable material available locally. In Shantung and Hopei the application of fertilizer per hectare is reported at twice the level of 1965 and chemical fertilizer output in Heilungkiang in 1969 was reported to be at twice the level of 1968. In Hopei, over half the chemical fertilizer output in 1969 was reported to be coming from small plants. The total capacity of these rapidly constructed chemical fertilizer plants is variously reported as being five times or six times the capacity existing in 1965. The attention to developing small-scale plants is in line with the current policy of the Government and is justified on the ground of low investment and quick returns. The plans can also utilize local resources fully and be financed locally, thus reducing the central government's burden. There is some disparity between estimates of output of chemical fertilizers, with two estimates for 1966 of 5 million tons and 5.1 million tons and another later estimate of about 11 million,[37] and ranges from 7.5 less to 12 million tons for 1967 but the lower figure seems more probable. Imports in 1966 were estimated at 3.5 million tons and in 1967 variously estimated at 3.5-5 million tons, while contracts placed in 1968 for fertilizer imports registered an increase. A rough estimate of output for 1969 would probably lie within the range of 9-13 million tons although this is very tentative. In 1968, over one-third of the output of nitrogenous fertilizer was produced in small plants.[38] As far as can be determined from reports, all the new and re-opened small plants[39] are producing nitrogeneous fertilizers, which are the most needed fertilizer in mainland China. Due to the rural location of the majority of the new small plants it is likely that the increased output is spread more widely than in the past, since the output is largely used locally.

Efforts have been made to increase the area under cultivation[40] by means of reclamation in recent years. A start was made on this in 1964/65 but the real impetus developed in 1968 and 1969, particularly in the winters 1968/69 and 1969/70. Land has been reclaimed from the sea, swamps drained and hills terraced to increase the cultivated area.[41] In addition, the irrigation and drainage systems[42] have been improved and more fertilizer applied to increase the yield.

The role of mass labour for construction work and that of the "People's Liberation Army" (PLA) has been noticeable in reclamation work. The PLA has always contributed to the economy to some extent by providing labour at busy seasons in agriculture and by running its own farms, but its role has increased in recent years, with extensions into administrative work in government, factories, schools, etc. and functions in medical work and land reclamation. The PLA provides assistance to peasants, (sometimes technical assistance, such as dynamite work) and also does reclamation on its own. In Kwangtung, for example, the PLA assisted peasants

32 "Six hundred million peasants are masters of the cause of farm mechanization", SCMM 628, *Nung-yeh Chi-hsieh Chi-shu*, 8, 1968.

33 "Central China Province speed up development of small scale industries", NCNA, 10 November 1969, SCMP 4539.

34 In 1958, a labour shortage was reported, partly due to a good crop and partly due to the transfer of labour to rural industrial work. As a result, some of the crop could apparently not be harvested in time.

35 Part of the labour being released by use of machinery.

36 In Hopei, equipment designed with an annual capacity of 4,500 tons of synthetic ammonia was described as small. NCNA, 15 December 1969, SCMP 4562.

37 *Issues and Studies* (I & S), September 1969, calculated from the text gives 11.4 million m.t. approximately for 1966 and 7.5 million m.t. for 1967; Mr. Larsen in *An economic profile of Mainland China*, 1967, gives 5 million tons for 1966; "Progress Report" on mainland China agricultural potential prepared for the Department of State by Stanford Research Institute 1967, gives 5.1 million tons for 1966; O. L. Dawson, *Communist China's agricultural development and future potential*, 1968, gives 8.0 million tons for 1967; the Japanese Association for Promotion of International Trade gives 12.0 million tons for 1967.

38 *People's Daily*, 10 April 1969.

39 Some were closed in the early 1960s on grounds of inefficiency and competing with large plants for materials in a period of great shortages.

40 The total cultivated land is approximately 12 per cent of the land area; the maximum worth cultivating is about 15 per cent.

41 An interesting example of increasing the area cultivated is taking over land that no one was responsible for previously due to bad planning. This was done in one area and half a million mulberry trees reportedly planted over three years. *People's Daily*, 11 November 1969, Survey of China Mainland Press (SCMP) 4541.

42 The use of mechanization of irrigation was mentioned above.

to reclaim land on hill-sides by terracing and to build water conservation projects such as canals; in all, over 190 km of canals were dug, over 700,000 m^3 of earth and stonework moved and 133 ha of terraces opened up,[43] during August-November 1969. It was reported that an aggregate labour force of over two million was engaged. The PLA also helped reclaim a large tract of 3,500 km^2 of swamp and alkaline land in Liaoning province, and helped with reclamation on an island near Shanghai and irrigation projects along the Yellow River. A notable example of how the PLA is increasing the land under cultivation is their planting of crops around the runways of airfields since 1967.[44]

Students too have helped in reclamation work such as the 4,200 ha reclaimed from the sea in Hangchow Bay by 40,000 peasants and students. The extensive use of mass labour is revealed in several reports, such as that in November 1969 over 2.7 million commune members were working on reclamation and water control projects; in the Liu-an administrative region of Anhui Province, 100,000 people were working on water control schemes, and in five nearby counties 150,000 people were building a dyke 50 km long. In all mainland China, according to some sketchy statistics, over 37 million people were engaged in water control projects in eleven provinces and autonomous areas in the winter 1968/69. The winter of 1968/69 was a period of tremendous increase in the amount of capital construction by labour-intensive methods, largely to reclaim or to improve the land. It is believed that construction on this scale was last observed in the winter 1957/58, the prelude to the "Great Leap Forward".

A good deal of effort has gone into attempts to improve rural health facilities, but not much was apparently achieved until 1968 when this movement developed strongly. In part it is meant to rectify a long existing imbalance between urban and rural services, and, if successful, the result will be to improve the health and hence the productivity of rural labour. A concerted drive has been made to move doctors and nurses from urban hospitals to rural areas and, according to provincial radio broadcasts, over 37,000 health workers were relocated in the eight provinces of Kiangsi, Kwangtung, Honan, Heilungkiang, Kueichow, Kansu, Inner Mongolia and Hopei. The phenomenon of "barefoot doctors"[45] has appeared in rural areas to supplement the inadequate rural services, but this entails some risk for patients. A new medical scheme[46] for rural areas has been established which a member can usually join by paying the small per capita fee of one yuan per annum, the production team of which he is a member paying a smaller fee. Except for sufferers from chronic complaints, members pay five fen for each treatment and receive free medicine. Local variations of this scheme exist. It appears that drugs and medicines are short, and cheap traditional remedies are frequently used. The PLA has also been active in rural health work during the last two years in providing medical teams and doctors.

An improvement in labour quality has been attempted by a drive to increase the numbers of technical workers in rural areas by means of training large number of peasants in low-level technical skills. Existing schools have expanded this kind of training and some new schools have been established. The courses appear to be short and intended to train people for work in the fields at the lower levels. The training is reported to have a bias towards agricultural work, including mechanization, forestry, animal breeding and health work, rather than towards industry and factory work. There is an obvious need in mainland China for more technical skills and the re-focussing of attention on agricultural techniques.

Seed selection and improvement is not a new idea in mainland China, but efforts along these lines seem to be somewhat greater of late, with new and improved seeds that are early-ripening and high-yielding being reported for rice, wheat, maize, barley and millet. The desire here is to extend the area under double-cropping so as to increase output. A recent development has been the spread of seed-improvement experiment and research to low levels in agriculture on a mass basis. It seems doubtful if this will improve seeds dramatically, and a concurrent problem is that the staff of various scientific research stations have been dispatched to the fields to help the peasants in this work. Thus, research station efforts towards seed improvement, etc. have been reduced in intensity and great domestic breakthroughs in better seeds seem unlikely at present.

The results of the large increase in resources for agriculture are difficult to judge. The focus of attention on irrigation and drainage should reduce the dependency on good weather, although in the past the tendency has been to build new projects rather than maintain the existing ones and some projects which were badly designed have had adverse effects. There should be some increase in output as a result of the improvement in rural infrastructure, but the result may be less than could be achieved from the increased inputs because of faulty implementation, the peasants' attitude to work, and the report that the state has made it known that no state funds will be available for investment in agriculture.[47]

[43] NCNA, 16 November 1969, SCMP 4542.

[44] NCNA, 4 December 1969, SCMP 4554.

[45] Mainly young peasants with a few years education often to junior middle school level with a short course of about two months in basic medical practices.

[46] Similar schemes were apparently tried in 1957 and 1958 and failed or, alledgedly, were sabotaged by Liu-ist agents.

[47] *Issues and Studies*, December 1969, p. 30.

Not only has there been a change in policy towards greater development of agriculture by means of increasing inputs financed locally, but a major institutional change has also occurred in the method of calculating and paying the peasants. The old system in operation for many years varied in details from area to area but the essentials were as follows. Work points were allocated to various tasks broadly based on the degree of exertion, so that harder tasks brought the worker more points and ultimately more income. This points system, therefore, acted as a material incentive. In addition, each working peasant was graded and given a point ranking, so that skill, exertion and hence productivity were rewarded; where a task had no points allocated to it or a group of people worked on the task, income was earned in proportion to the relative point ranking of the members. Various types of bonus were also payable, for example, for over-filling a quota or doing a task quickly. The results were reasonable and effort was stimulated to a greater degree than under the old supply system attempted in 1958, but the recording of points and the tasks of cadres proved burdensome and quality tended to suffer. The new system, started in the Tachai Brigade, is still evolving and varies widely from area to area despite the effort to spread it over other parts of mainland China since 1964. In this new system, the work quotas and bonuses were abolished and so were the points allocated for tasks. The point rating for peasants was retained, but the criteria became more political than economic. Loyalty to the doctrine and ability to speak at meetings became crucial in determining the rank. Income is calculated simply as the number of days laboured in the period multiplied by the point rating of the individual. The new system is not uniform, hence it is not easy to evaluate but compared with the previous system the results can perhaps be assessed as follows. Firstly, the administrative burden on the point recorders and cadres is reduced considerably, freeing them from administrative tasks for productive labour in the fields and other work; secondly, labour is more mobile and easier to switch to large-scale construction work; thirdly, there has been a noticeable change from productivity-based criteria for income receipt to non-economic criteria and the resulting tendency to satisfy these criteria, rather than produce more, has a rather adverse effect on output increases. It is not easy to be sure whether or not income received has increased with the new system, but there are grounds for believing that it may have fallen. One study[48] tentatively reported a fall in income for the majority of a small group of interviewees from Kwangtung province. It is also reasonable to expect a fall in distributed income due to the nature of the system and current policies. The system of distribution is that, after the quota is delivered to the state, and after all expenses of the brigade are subtracted and any levy paid, the remaining portion of the harvest income is divided by the aggregate number of points to ascertain point value and the peasants are paid off. Thus peasants' remuneration varies inversely with the brigade expenditure and, of late, the functions of the brigade and county (hsien) have increased substantially in education, health work, setting up small factories and workshops, mechanization and water conservancy work. Hence expenditure has probably risen, leaving less for distribution to the peasants. Only if output increased very rapidly indeed could peasants' consumption rise along with the increase in locally financed rural investment and it is felt that the increased investment probably causes a fall in consumption. There has been an increase in discussion to sort out the new scheme, and, in some areas, apparently, the hsia-fanged intellectual youths with doctrinaire quotes are receiving higher point grades than working peasants, although this is probably not common.

Thus it is judged that the increase in inputs works towards increases in output, but the payment system to peasants probably works adversely as an output stimulator.

Agricultural output figures have not been reported since 1959 and generally it is felt the figures for 1957 are the latest reasonably reliable ones. Various estimates have been made for the period since 1957 with quite wide differences and there is no agreement on them as yet but the estimated rates of growth between 1957 and 1966 are fairly close, ranging from a slight reduction of about 0.6 per cent to a slight increase of about 1.5 per cent per annum, so a middle estimate would indicate that no striking growth in output has occurred over ten years.

There is broad agreement that the 1967 harvest was very good, but that output fell in 1968, largely due to natural disasters. No figures for output have been released for 1969, but it was announced that there was an excellent harvest and total grain output exceeded that of 1968. This seems probable as the earlier provincial reports for early rice and wheat were good as were occasional statements on the autumn harvest. The range of estimates for 1969 might reach 185-205-230 million tons, with the middle figure possibly the most reliable. Some improvement as a result of the effort on mechanization, water conservancy and irrigation, together with an increase in fertilizer production,[49] can be expected to occur, assuming that the weather is reasonable.

[48] See M. K. Whyte, "The Tachai Brigade and incentives for the peasant", *Current Scene*, Vol. VII, No. 16.

[49] It is probable that most of the fertilizer has in the past been allocated to economic crops although the recent stress on foodgrain production and efforts to reduce the growing of economic crops in excess of the state plan may be changing this.

State procurement of agricultural produce began to present problems in 1966/67 and apparently fell in 1967/68.[50] In 1969, reports indicate that the intensified procurement efforts were proving successful and generally procurement was running at a faster rate than the previous year so that the situation is apparently returning to normal.

Industry

The situation in industry is at present confused but it is clear that a process of change is underway. New policies and institutions have emerged in the last few years but they are still in the process of adjustment. The stress on medium and small-scale industries has re-emerged, although not to the total exclusion of new large-scale enterprises. The reports indicate that very many new small-scale enterprises have been set up and existing ones have been greatly improved. Large numbers are often involved; for example in August 1969, Hopei province reported 24 small fertilizer plants under construction and 4 ready for use, and 66 small coal mines and 10 small cement factories[51] in operation. Towards the end of the year, it was stated that over 400 small enterprises had been established or re-established[52] that there were over 30 small fertilizer plants and 140 small coal mines and that in Hopei over half the chemical fertilizer supply and 70 per cent of the cement supply were from small factories.[53] The provinces of Hunan, Hupeh, Kiangsu, Kwangsi, Kiangsi and Heilungkiang are also heavily involved. Many of the small enterprises appear to be handicraft workshops which, at least in some areas, had been operating relatively freely until 1969, when they were brought into line with government policy. The small and medium-sized enterprises are based on local materials and labour, financed locally rather than from central state funds, and are designed to produce such items as chemical fertilizers, agricultural implements, cement, and small pumps that are of assistance to the promotion of agriculture.

Within established industrial enterprises, a campaign for technical innovations has been running for some time and frequent reports on the number of achievements are made. While it is easy to make minor modifications and report new products or methods, there is no doubt that some genuine improvements have occurred, particularly in the electronics industry which is developing rapidly, especially in Shanghai. It is reported that 100 factories were manufacturing electronic products in Shanghai in 1969.[54] The institutional running of factories has been changed in recent years, with PLA units entering at the management level and the old party organization being dismantled. After a period of chaos, the PLA continue in the factory and many cadres are sent to work full or part time on the factory floor. However, it is very doubtful whether efficiency has improved as a result of the changes. There are reports of apathy among cadres, and labour indiscipline, particularly among younger workers. Experts have been down-graded in influence and authority, and the lower-level workers have been elevated into more authoritative positions. On the other hand, technological progress is stressed as desirable, as is learning from other countries, although slavish copying is to be avoided.

Material incentives in the form of bonuses for extra output, quota-filling, etc., have ended and a strong effort to replace material incentives by political incentives has been made in the last few years. It appears that some wage reductions of perhaps 10-20 per cent were made in 1963, further wage reductions in the form of voluntary acceptance of wage cuts were attempted in 1965 and definite wage reductions were reported in 1967 in some areas then under the control of the left-wing factions. Strikes and pickets occurred in January 1967, and further pickets were reported in January 1968 in an effort by workers to increase wages and welfare facilities. In some areas, bonus payments have been abolished and cuts in basic wages reported since 1967. A wage reform promised in early 1967 and again in early 1968 in answer to demands for improvements by workers was referred to in an official document in early 1968 but no details are available.[55] Occasional reports are made of recent wage increases in factories, possibly in an effort to return to earlier levels. Economic supervisors were established in factories in the latter half of 1969 to avoid misuse of funds, but their role is not yet completely clear.

Great industrial achievements were reported in 1969 but no absolute figures were released. Shanghai reported a 15 per cent increase in total industrial output value in 1969, Tientsin a 28 per cent increase, Kwangtung a 38 per cent increase and Peking municipality reported a 34 per cent increase above the highest record in history. It seems that the latter half of 1969 was better than the first half, particularly since the harvest in 1969 was better than in 1968, and industrial output in 1969 genuinely increased. It is generally believed that 1966 was an excellent year, that industrial output fell in 1967, perhaps by about 15 per cent, and increased again in 1968 but by much

[50] Not only did the initial procurement present difficulties but cases of grain already procured being stolen from state granaries were reported.

[51] *People's Daily*, 15 August 1969.

[52] Many small enterprises were set up in 1958/59 and later closed down as unprofitable.

[53] NCNA, 12 December 1969.

[54] *Peking Review*, 24 October 1969, p. 36-37.

[55] Shansi province reportedly was undertaking a wage reform in mid-1969, but the Revolutionary Committee refused to increase wages without instruction from the centre. It was viewed as an incorrect attitude to ask for wage increases.

less than 15 per cent. It appears that output in 1969 may well have surpassed the 1966 level. This would account for reports of big output increases together with reported shortages of some materials, especially coal and wood, since the transport system remains a major bottle-neck in mainland China.[56]

The big increases in output usually refer to steel and steel products, cement, chemical fertilizer, other chemicals, and coal and machine tools on the capital goods side, and to textiles, bicycles, radios and sewing machines on the consumer goods side. A genuine effort to increase the output of these major consumer goods, probably as a stimulatory device in production in the absence of bonuses, seems to be occuring in 1969. Reports frequently compare the situation in 1969 with that of 1965, on the basis that production is now going on at higher levels but within a more desirable political framework.

Population

The question of the size of the population remains unsolved, not only outside China but apparently also inside mainland China. There is not even agreement among experts on the accuracy or direction of bias of the 1953 Census.[57] What may have been an attempt at a simple population count is reported to have occurred in 1963 or 1964, but, if so, the results were not published. In 1967 and 1968, various provincial population figures were announced that totalled 711-712 million people but no dates were attached and the accuracy of the figures was unconfirmed. It has been suggested that they might have been the results of the population count in the early 1960s, either in the original form or revised upwards, but there is no evidence to support this. The press in China has begun to use the rounded figure of 750 million, although this is a traditionally convenient practice rather than a scientific pronouncement.[58]

Various estimates have been attempted by several people, based on a variety of assumptions. J. S. Aird has constructed six models for 1966-1985,[59] each with four variations,[60] resulting in 24 estimates for each year. These range from 766.4 million to 953.2 million for 1969. Based on the 1953 census, the range is reduced to 766.4 million and 827.5 million. L. Orleans estimated the population in 1969 at 746 million on the basis of the 1953 census and assuming a birth rate of 33 per thousand, a death rate of 18 per thousand and a natural rate of increase of 1.5 per cent annum.[61] Some years ago, the United Nations[62] made five population projections which ranged from 704 million to 815 million for 1970, with three of the five estimates clustering around 734 million to 767 million. Other estimates put the population in 1967 at 780 million,[63] and 730-750 million for 1969[64] which involves a growth rate of 1.1-1.4 per cent per annum in population. The assumption of an annual growth rate of 2 per cent, would yield a population of 792 million for 1969, using the 1953 census as a base.

It is obvious that the range of estimates is very wide indeed, but it is clear that most estimates fall in the range of 730-780 million, with a general acceptance of about 750 million.

International Trade

Mainland China holds two trade fairs each year in Canton. The 1969 spring fair was disappointing as relatively few foreign businessmen attended, the Chinese were not enthusiastic buyers, a good part of the displayed products were not actually for sale and delivery dates quoted were poor. In autumn, the second fair was again a disappointment but perhaps a little better than the spring fair had been. Mainland China was mostly buying steel and non-ferrous metals, chemicals (including chemical fertilizers and pesticides), machine tools and trucks. It was offering agricultural produce and animal by-products, textiles and pharmaceuticals, although, in the autumn fair, the prices quoted for exports were not always competitive.

Examining the commodity mix of foreign trade, the biggest category of imports comprised food, beverages and tobacco, at about one quarter of total imports in 1966, and imports of wheat and wheat flour made up 95 per cent of this. Second in importance were imports of manufactured goods (mainly iron and steel products), and crude materials (consisting largely of rubber and cotton) were in third place. With regard to exports, food, beverages and tobacco were in the first place, at about 30 per cent of total exports, and manufactured goods in second place and only slightly less in importance. About half of the manufactured goods were textile industry products. Crude material exports were third in importance. There were also small exports of petroleum products. (see tables)

[56] Significantly, Kwangtung reported a 38 per cent increase in total output value of industry in 1969 but only a 21 per cent increase in freight volume.

[57] J. S. Aird believes there was an undercount by a minimum of 3 to 11 per cent, I. B. Taeuber and N. C. Wang dismissed it as without value; L. Orleans accepts it as a reasonable basis while acknowledging inherent errors.

[58] The procedure, insofar as there is one, is to increase the figure to the next 50 million every four or five years.

[59] J. S. Aird, "Population growth" in *Economic Trends in Communist China* (Eckstein, A., Galenson, W. and Liu, T. C.), 1968.

[60] One variation is based on the 1953 census, the others represent different degrees of undercount on the base population.

[61] L. Orleans, "Propheteering: The population of Communist China", *Current Scene*, Vol. VII, No. 24.

[62] United Nations Department of Economic and Social Affairs, "World Population Prospects as Assessed in 1963", *Population Studies*, No. 41, 1966.

[63] "Facts and Features", 13 April 1968, Taipei.

[64] *Issues and Studies*, September 1969, Taipei.

Table II-2-4. Mainland China: Commodity trade, 1966

Imports	*Million US dollars*	*Per cent*
Food, beverages and tobacco	353.2	23.5
of which, wheat and wheat flour	335.3	22.3
Crude materials	247.0	16.5
of which, crude rubber	104.9	7.0
cotton	71.7	4.8
Minerals, fuels and related materials	0.3	—
Fats and oils	2.8	0.2
Chemicals	205.7	13.7
of which, organic and inorganic chemicals	99.5	6.6
manufactured fertilizers	64.4	4.3
Machinery	186.3	12.4
of which, metal working machinery	31.8	2.1
Transport equipment	51.3	3.4
of which, railway vehicles	3.5	0.2
Manufactured goods	326.3	21.8
of which, iron and steel plates and sheets	122.0	8.1
iron and steel tubes and pipes	53.7	3.6
iron and steel and semi-manufactures, others	16.0	1.1
Other and unspecified merchandise	127.3	8.5
Total	1,500.2	100.0

Source: "Trading partner" data collected by the United States Department of Commerce.

Table II-2-5. Mainland China: Commodity trade, 1966

Exports	*Million US dollars*	*Per cent*
Food, beverages and tobacco	545.4	29.2
of which, rice	119.3	6.3
live animals and meat	111.7	6.0
fruit and vegetable	110.5	5.9
Crude materials	352.8	18.9
of which, soya-bean	67.8	3.6
Mineral fuels and related materials	18.2	1.0
of which, coal, coke and briquettes	14.7	0.8
petroleum products, other	3.5	0.2
Fats and oils	36.4	2.0
Chemicals	59.3	3.2
of which, organic and inorganic chemicals	21.9	1.2
Machinery	17.6	0.9
Transport equipment	4.6	0.2
Manufactured goods	500.2	26.8
of which, cotton yarn, fabrics and manufactures	155.3	8.3
textile yarn, fabrics and manufactures, other	51.8	2.8
man-made fibre, yarn, fabrics and manufactures	17.8	1.0
clothing and footwear	50.1	2.7
Other and unspecified merchandise	331.6	17.8
Total	1,866.1	100.0

Source: "Trading partner" data collected by the United States Department of Commerce.

There have been some changes in the trade patterns with regard to imports recently and, since 1968, fewer capital goods are being imported as more emphasis is laid on imports of materials. These are, partly, to supply machines purchased in the past and partly to supply domestically produced machines. In addition, the increases in industrial output in 1968 and 1969 require more imports of materials, and the new small and medium-sized factories bid for resources, diverting them from the larger existing units, as happened in the early 1960s also. The agricultural policy is reflected in the imports of chemical fertilizers and insecticides.

Mainland China trades largely with developed countries, the ranking of trade partners not changing much, except when wheat purchases are switched between Canada and Australia. In 1968, the trade partner order was (US$ million in brackets): 1. Japan (555), 2. Hong Kong (409), 3. Federal Republic of Germany (259), 4. Canada (174), 5. United Kingdom (152) and in 1968 the only change in order was that Canada replaced Australia in fourth place. Japan increased its exports to mainland China in 1968 but reduced its imports, widening the trade gap to US$103 million. Mainland China runs deficits with many of its trading partners and perhaps covers this by the large trade surplus with Hong Kong (see table). Total trade of mainland China in 1967 is estimated at US$3,105.3,[65] of which Japan, the Federal Republic of Germany, Canada, Hong Kong and the United Kingdom took 47 per cent. Trade with the ECAFE region made up US$1,441 million in 1967 or about 46 per cent of all trade with mainland China. Of this, Australia, New Zealand and Japan made up US$770 million or about half of all the inter-regional trade with mainland China. If Hong Kong is not included,[66] only approximately 10 per cent of mainland China's trade is with the developing countries of the ECAFE region.

Mainland China trades less with the centrally-planned countries now than it did eleven years ago. Sino-Russian trade fell 10 per cent in 1968 to $94.6 million which represented 4.7 per cent of the 1959 level. However, trade with East European countries increased in 1968 by some 18 per cent, but, of these countries, only Sino-Romanian trade was above the 1959 level.

Total trade fell in 1967 by about 8 per cent but recovered in the latter half of 1968, so that an increase apparently occurred in 1968. In 1969, trade with the United Kingdom increased sharply, the figures for the first three quarters of 1967, 1968 and 1969 being US$56.8 million, US$109.4 million, and US$159.5 million respectively. The increase of 46 per cent

[65] United States Department of Commerce; the data are based on "trading partner" reports and are not quite complete.

[66] It is both a special case and developing very rapidly.

between 1968 and 1969 is not small, bearing in mind the change in trade policy towards greater imports of materials rather than machines. Sino-Japanese trade was also running at a record level in 1969 and is provisionally estimated at over US$600 million. It seems reasonably certain that 1969 will prove a very good year for trade and exceed the 1968 total.

over 1968 with production equipment composing more than 50 per cent of the total. As a result of these developments, the balance of payments recorded a much smaller deficit during the first half of the year. The substantial losses in production due to the two severe typhoons led to a substantial rise in prices, but, towards the end of the year, prices fell to near

Table II-2-6. Mainland China: Trade with selected countries

(in million US$)

	1967			1968		
	Exports	*Imports*	*Trade Balance*	*Exports*	*Imports*	*Trade Balance*
Australia	24.2	169.2	−145.0	30.5	89.0	− 58.5
Austria	8.4	13.9	− 5.5	8.4	6.7	1.7
Belgium and Luxembourg	13.0	22.8	− 9.8	12.0	19.9	− 7.9
Cambodia	6.0	3.8	− 2.2	3.8	5.3	− 1.5
Canada	24.0	85.2	− 61.2	21.8	152.4	−130.6
Ceylon	33.1	27.4	5.7	35.0	24.0	11.0
Denmark	8.2	5.5	2.7	8.4	2.2	6.2
Finland	7.4	10.1	− 2.7	7.0	11.5	− 4.5
France	48.0	92.9	− 44.9	52.8	87.4	− 34.6
Germany (Fed. Rep.)	76.8	206.4	−129.6	85.4	173.8	− 88.4
Hong Kong	343.7	7.2	336.5	401.3	7.2	394.1
Ireland	1.7	—	1.7	2.2	—	2.2
Italy	57.6	73.4	− 15.8	48.0	70.0	− 22.0
Japan	272.2	291.4	− 19.2	226.6	328.8	−102.2
Netherlands	27.8	12.2	15.6	27.1	28.8	− 1.7
New Zealand	3.8	9.1	− 5.3	5.0	5.8	− 0.8
Norway	7.4	5.3	2.1	6.5	5.8	0.7
Pakistan	84.7	28.3	56.4	29.3	26.2	3.1
Singapore	110.2	26.9	83.3	—	—	—
Spain	1.0	0.3	0.7	1.0	1.2	− 0.2
Sweden	17.0	44.2	− 27.2	18.2	24.0	− 5.8
Switzerland	17.5	21.4	− 3.9	16.1	20.0	− 3.9
United Kingdom	71.0	93.1	− 22.1	82.3	69.8	12.5
Zambia	0.7	8.9	− 8.2	—	—	—

Source: *China Trade and Economic Newsletter* (London), No. 164, original £ sterling put into US$ at an exchange rate of $2.4 = £1.

China (Taiwan)

Introduction

In 1969, the first year of its fifth four-year economic development plan, China (Taiwan) continued to achieve rapid growth of gross national product. GDP at constant prices increased by 8.9 per cent over 1968 and per capita income rose to US$258. This is indeed a remarkable achievement because the two disastrous typhoons of September and October caused a decline of 0.2 per cent in agricultural production, as against an increase of 6.1 per cent in 1968. Naturally, the set back in agriculture affected industrial production which is partly agriculture-based and led to a growth rate of 19 per cent as compared with 21.4 per cent the year before. Exports increased substantially by 20 per cent, surpassing the target of 12.5 per cent, and imports rose by 15 per cent

normal. By November, the wholesale price index was only 1.6 per cent higher than that in the same month of 1968. During 1969, the consumer price index registered a rise of 5.1 per cent, caused mainly by the rise in food items.

In brief, the notable growth of the 1960's continued. A high rate of growth of exports and imports, a substantial inflow of foreign capital, a low capital-output ratio of about 2.0, and, above all, a high marginal propensity to save (over 0.3), contributed to this achievement. This growth performance has been accompanied by substantial structural changes in production, employment (from agriculture to manufacturing) and in exports and imports.

However, if account is taken of the distribution of investment under the fifth four-year economic development plan, laying stress on heavy industry and

infrastructure which is projected to raise the capital-output ratio to about 3.5, it is obvious (as envisaged in the plan) that the rate of growth is likely to taper off somewhat. Indeed, bottlenecks are still apparent in transport, electricity and skilled labour.

In 1968, China (Taiwan) achieved a high growth rate, in constant prices, of 10.27 per cent, or a little less than the 10.5 per cent average growth rate realized during 1965-1968, the period of the fourth four-year plan.

Industrial output grew at a fast 21.4 per cent in 1968, and agriculture achieved a 6.1 per cent growth, while the unemployment rate continued to fall and labour shortages were reported by industrialists.

Because of rapid increases in imports, the balance of payments worsened in 1968 to a deficit of US$133.8 million (excluding transfer payments), the largest deficit since 1961.

Output

In 1968, industrial output registered a growth rate of 21.4 per cent, rather faster than the 16.8 per cent increase obtained in 1967. The faster rate in 1968 was attributed to increases in exports on the demand side and to increased investment, improvements in the supply of electricity, and general infrastructural improvements on the supply side. Manufacturing industry achieved an over-all growth rate of 23.3 per cent in 1968, while the supply of electric power, a traditional bottleneck, increased by 16.5 per cent, partly due to ample rain allowing higher capacity working in hydro-electric power installations, and partly to the completion of the number one unit of the Linkou thermal plant and expansion of one other plant. In transportation, railway freight traffic registered an increase of 6.6 per cent over 1967, and highway freight traffic increased by 26.1 per cent, continuing the long-run trend of increasing use of roads for moving foodstuffs. However, railways in 1968 still moved 13.4 per cent more tonnage than roads and, in addition, the average haul was longer on railways, since, on a ton-kilometre basis, railways moved 2.7 times the amount moved by road.[67] Despite much improvement in recent years, the transport system remains insufficient to meet the peak demand.

Within the industrial category, the construction of buildings registered the fastest growth at 28.1 per cent (the 1968 building boom), manufacturing was in second place, and public utilities output at 17.2 per cent increased less than the average of all industry. Mining output fell by 0.2 per cent due to reduced output of coal, gold and silver. Of the manufacturing industries, fourteen reached all-time record output, (e.g. cotton fabrics, paper, fertilizers, gasoline, cement and aluminium ingots), but four industries reduced their output, namely sugar (–4.1 per cent), tea (–6.9 per cent), cotton yarn (–1.4 per cent) and pig iron (–10.8 per cent). On the whole, 1968 was a good year for industrial growth in China (Taiwan).

In 1969, however, industrial production grew at 19 per cent, the highest growth rate being recorded by manufacturing industry (20.5 per cent) and construction (21.8 per cent), while the growth rate of mining industry continued relatively unchanged at 2.3 per cent in output, due to the declining output of coal. With the exception of coal and motorcycle production, all major mining and industrial products increased their output in 1969.

Agricultural output was quite good in 1968, with a 6.1 per cent growth in agriculture, forestry, fisheries and livestock and 4.9 per cent growth in agricultural output alone, the latter growth rate being the best since 1965. The output of sweet potatoes, maize, peanuts and wheat fell in 1968, and, in the case of wheat, the output was the lowest since 1954. Most other crops increased their output, and the production of rice, tea, tobacco, banana, pineapple and citrus fruit reached new records.

In 1969, agricultural production did well in the first half of the year but registered a slight decrease in total production (–0.2 per cent), crop output decreasing by 2.6 per cent and forestry, livestock and fisheries registering increases. Rice production (2,431,150 metric tons) was 3.45 per cent down in 1968.

Savings and investment

Gross domestic fixed capital formation, as a percentage of GDP, increased annually from 14.5 per cent in 1964 to 22.04 per cent in 1968.[68]

In the third and fourth plans, the allocation of investment was particularly heavily directed to industry, especially manufacturing. This tendency was more pronounced in the fourth plan than in the third. In the third plan, an average of 38.0 per cent of all gross fixed domestic capital formation was in industry,[69] as compared with 43.5 per cent in the fourth plan. In 1968, 45.2 per cent of total investment was in industry. The share of manufacturing industry alone was 33.6 per cent of the total. Agricultural investment increased absolutely but its share in total investment fell from 19.5 per cent in 1961 to 11.7 per cent in 1968.

Capital formation in China (Taiwan) was increasingly financed by domestic savings during the 1960s. Gross domestic savings, as a percentage of GNP,

[67] *Taiwan Statistical Data Book 1969*, table 6-5a.

[68] *National Income of the Republic of China*, October 1969, pp. 86-87 for 1968.

[69] Manufacturing, mining, electricity and construction.

increased from 12.8 per cent in 1961 to a record 21.9 per cent in 1967.[70] The same feature emerges from an examination of gross domestic savings as a percentage of gross domestic capital formation, since, in 1961, the figure was 64.8 per cent and rose, by 1968, to 88.5 per cent.[71] Correspondingly, the role of United States aid, foreign capital and loans was reduced over the 1960s.

Within gross domestic savings there have been changes in composition in recent years. The share of private savings fell somewhat, from an average of 81.3 per cent of all domestic savings during the third plan period, to 78.8 per cent during the fourth plan. On the other hand, government savings increased markedly from a negative NT$1,059 million in 1961 to a positive NT$1,441 million, in 1967. Public enterprises' savings rose slightly in absolute amount but their share in total domestic savings fell from 22.9 per cent in 1961-1965 to 16.3 per cent in 1965-1967.

Employment and earnings

The population was estimated to be 13,901,971 in May 1969. The rate of increase fell annually from 3.3 per cent in 1961 to 2.3 per cent in 1967, but increased in 1968 to 2.7 per cent due to a rise in the birth rate. The crude birth rate was 28.5 per cent per thousand in 1967 and 29.3 per cent in 1968, well below the 38.3 per cent of 1961. The labour force continued to increase at 4.1 per cent and reached 4,232,000 persons in 1968.[72] In 1967, 41.9 per cent of the labour force was in primary industry, 25.2 per cent in secondary industry and 31.9 per cent in tertiary industry, while, on an employment basis in 1968, the relevant percentages were 39.7 per cent, 24.8 per cent and 35.5 per cent, reflecting the movement out of agriculture. In 1968, farmers, fishermen, hunters and kindred workers numbered 1,652,000, a reduction of 53,000 over 1967.

Total employment in 1968 stood at 4,159,000, an increase of 4.7 per cent over 1967, as compared with the 8.9 per cent increase in 1967. The slow growth rate in employment is apparently due to an increasingly short supply of labour. The unemployment rate shows a sharp decline from 3.4 per cent in 1965 to 1.7 per cent in 1968,[73] while the rate of underemployment,[74] difficult to measure accurately, is estimated to have dropped from 3.1 per cent in 1965 to 1.2 per cent in 1968. A labour shortage exists on a regional basis in Taipei and Kaohsiung, although there are still reserves, in the form of disguised unemployment, that could be drawn into the labour force. The size of the labour force moves closely with the changes in employment availability, as people not registered as unemployed take work when available and do not seem to register as unemployed when the work is withdrawn. Estimates put this reserve army of non-employed at a little over 2 1/2 million in 1968.

Wages of factory workers in Taiwan increased by 33 per cent from 1963 to 1967, with an acceleration in the rate of wage increases in the last two years. A crude labour productivity index, obtained by dividing GDP at constant prices by total employed persons, shows that labour productivity increased between 1962 and 1968 by 57.6 per cent or more than the increase in wages.

It seems probable that the recent trend towards a faster increase in wages in manufacturing industry will continue, as, with the present fast growth of manufacturing industry wages are raised in order to attract additional labour from other sectors or from the reserve potential.

Within manufacturing industry, the highest paid workers in 1967 were in the food industry, followed by machinery industry, petroleum and coal, and transport equipment. The lowest paid were in the textile industry which is the major export industry and has a high proportion of female workers who received only 65 per cent of the wages of male workers in 1967. Adult textile workers received an average of 36.8 per cent of the wages paid in the best paid food industry in 1967.

The rubber products industry, petroleum and coal, and food industries (in that order) obtained the fastest increase in money wages in 1956-1967, but within the last four years a noticeable change has occurred, with the leading place going to beverages, followed by tobacco and the machinery industry in the period 1965-1967. The beverage industry attained a 35.3 per cent increase in wages from 1965 to 1967.

Price level

China (Taiwan) has been conspicuously successful at achieving fast economic growth with a low rate of inflation. From 1965 to 1968 wholesale prices rose by 6.1 per cent and consumer prices in major cities by 12.0 per cent.[75] In 1969, the consumer price index rose rapidly in October due to the typhoons, then began to fall until the index for the year showed a 5.1 per cent rise and wholesale prices stood at 1.6 per cent above December 1968.

[70] *Taiwan Statistical Data Book 1969*, tables 3-10.

[71] *National Income of the Republic of China, 1969*, p. 42. A slight fall from the 1967 level of 89.7 per cent occurred in 1968.

[72] *Monthly Statistics of the Republic of China*, July 1969, p. 72.

[73] This figure is obtained by surveys, see footnote 3 above. *The Fifth Four-Year Plan* gives a figure of 4.55 per cent unemployment for 1968 (p. 49, in Chinese), based on a labour force of 4,768,000 and 217,000 unemployed. The army employs about half a million men, roughly 12 per cent of the labour force.

[74] Defined as working less than 42 hours per week or where the occupation is judged to be less than the aptitude or capacity of the person.

[75] From 1946 to January 1968 the index covered wholesales prices in Taipei only; from January 1968 the coverage was extended to all Taiwan.

Examining the relative changes in wholesale prices, in December 1969 the price levels of four categories, namely textiles, rubber and rubber products, Chinese and western medicines and "miscellaneous", were below those of the 1963-1965 average, while the general wholesale price index showed a mere 4.3 per cent rise over the 1963-1965 average. The price structure is changing since not only did four categories show a price fall but some categories showed relatively large increases (1968 indices in brackets) e.g. timber (132.5), coal (113.3) and bricks and tiles (131.0).[76] In general, in 1968, industrial raw material costs fell to a level below that obtaining in 1966 and in the first three quarters of 1969 these costs were no higher than in 1966, which assisted both the country's industry and exports.[77] The increase in retail prices of 5.1 per cent in 1969 is a little less than the 6.3 registered in 1968.

Both fiscal and monetary policies were used as dampening forces in 1968, with a general fiscal squeeze and specific monetary measures in August and September. The specific monetary policy used was to increase rates of interest on loans in an effort to restrict credit creation, and on deposits in an effort to encourage mobilization of savings. The interest payable on call loans increased from 1.11 per cent to 1.17 per cent per month, on secured advances from 1.11 per cent to 1.17 per cent per month and on discounts from 0.90 per cent to 0.99 per cent per month on 12 August 1968. A slackening occurred in May 1969 when the rates reverted to the pre-squeeze level.

Moral suasion was exercised over the banks which were asked not to make loans to sectors that were facing shortages of material, such as the building industry in 1968. New demand savings accounts carrying a monthly rate of interest of 0.42 per cent were introduced in September 1968, in an effort to induce greater savings deposits by the general public. The rate of increase in money supply fell from 27.1 per cent in 1967 to 10.7 per cent in 1968 and to 5.7 per cent in 1969.[78] Following the credit squeeze, bank loans and advances increased at a rate lower than the year before.[79] Contrary to popular belief that monetary policy is not very effective in developing countries, in China (Taiwan) the effect seems large enough and the time lags short enough to make monetary policy a useful measure for stabilization.

The squeeze in 1968 was also reflected in the size of the surplus of revenue over expenditure, which amounted to NT$1,790 million and was the largest surplus since 1952. The proportion of government revenue made up by tax receipts increased from 49.2 per cent in fiscal year 1962 to 56.1 per cent in fiscal year 1968 and revenue from monopolies has fallen from 18.3 per cent of government revenue to 13.7 per cent respectively as the tax system slowly improves. It is anticipated that the proportion of revenue raised by taxation will rise after the Tax Reform Committee, now sitting, reports and further improvements in the taxation system are made. The Government is currently preparing bills for enactment. In the 1969 financial year, income tax made up only 9.4 per cent of all tax revenue, compared with the 21.4 per cent of tax revenue contributed by customs duties, a category which is slowly increasing in importance as a source of revenue.[80]

Indirect taxes are still the major tax source and, in 1968, indirect taxes made up 78.6 per cent of all tax revenue, having fallen from the 80.4 per cent of 1967, but indirect taxes were still marginally higher in 1968 than the 78.3 per cent of tax revenue made up by indirect taxes in 1967. It seems that efforts are needed to increase reliance on direct taxes, a more equitable form of taxation. In 1967, direct taxes, at 19.6 per cent of tax revenue, were the lowest percentage since 1952.

Balance of payments and trade

In 1968, the deficit on the current account of the balance of payments (including transfer payments) increased to US$117.64 million, the largest since 1961. The trade balance recorded a deficit of US$73.77 million, due to imports rising more rapidly than exports. On the service side, the surplus of US$1.2 million in 1967 turned into a deficit of US$48.5 million in 1968,[81] due to the large increase in freight and insurance resulting from the expansion in foreign trade. Also the deficit on factor income from abroad worsened and the surplus in transfer payments declined. On the other hand, tourist receipts increased substantially in 1968, to almost double the level of 1967, and contributed US$62 million to foreign exchange earnings in 1969.

In 1969, exports registered an increase of 29.1 per cent and imports were up 15.1 per cent. The share of trade in GDP rose substantially; the share of exports increased from 15.6 per cent of GDP in the third plan period to 21.7 per cent in the fourth plan period, and imports increased from 19.0 per cent to 23.8 per cent over these periods. From 1967

[76] When relative prices are changing rapidly, the pattern of consumption adjusts via the substitution effect in favour of the cheaper items. A base-weighted index can quickly get out of date on the weights used. The weights used in Taiwan are 1964 in the wholesale index and 1963 in the consumer index. It is possible that a weight of 577.0 for food is now rather high in the consumer index, considering the rise in national income, the growth of industrial output and the reduction in effort necessary to produce food, typified by the exodus of labour from agriculture.

[77] *Monthly Statistics of the Republic of China*, November 1969, p. 60.

[78] January to November 1969.

[79] Republic of China, *Taiwan Financial Statistics Monthly*, June 1969, p. 7-8.

[80] *Monthly Statistics of the Republic of China*, November 1969, p. 68-69.

[81] Service deficit excludes factor income from abroad and transfer payments. By including these items the deficit is reduced to US$43.9 million.

to 1968 exports rose from 22.0 per cent of GDP to 24.4 per cent, but imports rose from 23.8 per cent to 27.1 per cent and the balance of trade worsened. The import liberalization measures taken in recent years have apparently begun to be reflected in the balance of payments, while the reduction in advance deposit for imports from 50 per cent to 25 per cent in July 1969 still has to take effect and may be expected to induce some further increase on the import side.

Table II-2-7. China (Taiwan): Balance of payments on current account

(in million US dollars)

	1967	1968	1969
A. Goods and services	−62.86	−122.30	−94.4[a]
Merchandise f.o.b.	−62.62	−73.91	
Non-monetary gold	1.00	0.14	
Freight and insurance on international shipments	−27.09	−57.00	
Other transportation	−8.02	−4.55	
Travel	26.44	40.37	
Government (n.i.e.)	19.74	12.34	
Other services	−12.31	−39.69	
B. Factor income from abroad and factor cost payments	−8.08	−11.46	
Investment income	−5.34	−17.97	
Labour income and others	−2.74	6.51	
C. Transfer payments	24.28	16.12	
Private	26.70	15.30	
Government	−1.92	0.82	
Balance on current account (A+B+C)	−46.66	−117.64	

Source: *Taiwan Financial Statistics Monthly,* November 1969, p. 93-94.

[a] Preliminary trading figures for 1969.

In 1969, preliminary figures indicated that exports increased to 24.8 per cent of GDP and imports fell slightly to 26.7 per cent. The balance of payments in the first half of 1969 showed a substantial improvement, with the deficit being reduced to US$5.44 million (including transfer payments).

Marked changes in export markets have occurred recently, with the United States becoming the major outlet for Taiwan's exports since 1967, replacing Japan. In 1969 the United States took 35.9 per cent of all exports, compared with 16.4 per cent in the case of Japan. In the third plan period, Japan was the leading export market, absorbing 29.0 per cent of all Taiwan's exports, the United States was second at 20.1 per cent, and in the fourth plan period the share of Japan fell to 23.4 per cent and that of the United States rose to 23.3 per cent on average. In 1969, Hong Kong maintained its position in the third place for exports. On the whole, the share of developed countries increased, with Japan, the United States and the Federal Republic of Germany taking 65.5 per cent of all exports in 1968 and 57.3 per cent in 1969, compared with an average of 52.9 per cent from 1961-1964. Exports to the countries in the ECAFE region fell from 53.7 per cent of total exports in 1967 to 45.6 per cent in 1968. (See table II-2-8)

Table II-2-8. China (Taiwan): Trade with the ECAFE region and with the developing countries in the ECAFE region

(Percentage)

	1966		1967		1968	
	Imports	Exports	Imports	Exports	Imports	Exports
Trade with developing ECAFE countries[a]	35.2	8.1	34.7	8.1	27.9	10.2
Trade with ECAFE region	60.8	52.7	53.7	52.0	45.6	52.8

Source: *Economic Bulletin for Asia and the Far East,* September 1969, 1968 figures added.

[a] ECAFE countries minus Australia, New Zealand and Japan.

On the import side, Japan has replaced the United States as a major source of Taiwan's imports. From 1961 to 1964, the United States supplied 41.4 per cent of imports and Japan supplied 31.9 per cent on average, from 1965 to 1968 the United States was responsible for only 32.8 per cent and Japan for 38.4 per cent, in 1969 the trend continued, with the United States share falling to 27.9 per cent and Japan's remaining at 41.0 per cent. The Federal Republic of Germany maintained third place in both periods and in 1969. Imports from the countries in the ECAFE region rose from 51 per cent of total imports in 1968 to 55 per cent in 1969.

By type of exports, industrial products increased from 45.1 per cent of total exports in 1961-1964 to 66.4 per cent in 1968.[82] Agricultural exports also increased, from 13.6 per cent to 18.4 per cent between the two plan periods, and the share of processed agricultural products fell. In 1968, agricultural produce exports fell to 13.9 per cent of all exports, processed agricultural products fell to 20.6 per cent and the balance consisted of industrial exports.

Of the exports, textile products were the single biggest earner, accounting for 26.2 per cent of total export earnings in 1969, as compared with only 21.7 per cent in 1968, 17.9 per cent in 1967, and 14.0 per cent in 1966. This is indeed a remarkable achievement at a time when import restrictions by developed countries and competition from suppliers in other developing countries increased, but a reversal of export diversification contains an element of risk. The specialized agricultural exports declined in 1968 after several years of growth, but increased again in 1969.

[82] *Taiwan Statistical Data Book 1969,* p. 136.

Canned pineapple increased by 3.7 per cent and canned mushrooms, asparagus and vegetables increased by 8.0 per cent. Rice exports fell in 1968 to US$13,930,000, the lowest level since 1962, continuing the falling trend since 1964.

Imports exceeded US$1,000 million in 1968 for the first time.[83] The share of capital goods imports was 35.2 per cent, or slightly less than the 1967 record of 37.6 per cent, the share of agricultural and industrial raw materials was 57.4 per cent and that of consumer goods, 7.4 per cent. During the last two plan periods, the share of capital goods rose from 25.9 per cent during 1961-1964 to 33.0 per cent in 1965-1968 while the share of both raw materials and consumer goods fell from 63.9 per cent to 59.4 per cent. Imports in 1969 reached US$1,184.4 million. Machinery and tools were again the biggest single category of imports in 1969, accounting for 14.9 per cent of total imports, followed by electrical supplies, chemicals and metals, in that order, and together these three groups formed 33.2 per cent of total imports.

Foreign exchange reserves increased from US$11.9 million in 1962 to US$393.2 million in 1967, but fell in 1968 to US$349.4 million.[84] This was the first fall since 1965. The reserves increased again in 1969 and, by October, stood at US$438.1 million. However due to the even greater increase in imports, reserves were sufficient on average to cover twenty-seven weeks of imports in 1961-1964, as against only twenty-four weeks in 1965-1968. In 1968, reserves were sufficient to cover seventeen weeks of imports only, due to both a fall in reserves and a large increase in imports. The situation had improved by mid-1969 and the reserves at the end of May 1969 would cover approximately nineteen weeks of current imports.

Plans

The fourth plan, 1965-1968, must be judged to have been accomplished very successfully as most targets were over-fulfilled. The target for increases in GDP was 31 per cent from 1964 to 1968, but the result was an increase of 49 per cent. On an annual basis, a planned 7 per cent growth turned out to be 10.5 per cent in practice, second only to Japan in the entire world.[85] The agricultural target for an 18 per cent increase was surpassed with an achievement of 29 per cent, while industry was planned for a 52 per cent growth and actualy achieved 85 per cent. Exports had been projected at a 9.1 per cent growth and achieved 17.0 per cent, while imports projected at 8.8 per cent actually reached 21 per cent growth. Private consumption had been planned to increase by 5.6 per cent and actually attained 7.0 per cent, while Government consumption, planned at 7.2 per cent increase, came out at 7.4 per cent.

The fifth plan, 1969-1972, aims at improving the infrastructure and changing the emphasis from the labour-intensive industries to more capital-intensive industries, such as petro-chemicals, electronics, precision equipment and heavy electrical machinery.

National income is planned to grow at 6.97 per cent per annum, very much less than the 10.5 per cent achieved in the last plan period. The population increase is estimated at 2.15 per cent for 1969-1972 and *per capita* national income is projected to rise by 4.71 per cent per annum. Gross capital formation is planned to increase at 9.9 per cent per annum, and private consumption is planned to increase at 5.11 per cent per annum, slower than the fourth plan figure of 5.6 per cent and also less than the actual figure in the fourth plan period of 7.0 per cent. Government consumption is intended to increase at 7.79 per cent, or a little faster than the planned growth rate in income. Transport and communications are planned to grow at 7.4 per cent annually and industry at 9.2 per cent. The structure of GDP by industrial origin is expected to change with a decline in the share of agriculture from 20.3 per cent in 1968 to 18.3 per cent in 1972. On the other hand, the share of industry will rise from 32.5 per cent to 35.2 per cent respectively, while the share of transport and communications will remain at 4.7 per cent.

In investment allocation, emphasis will be placed on heavy industry and infrastructure. Industry will receive 43.3 per cent of fixed investment, as compared with 11.5 per cent for agriculture. Manufacturing industry will receive 30.2 per cent, the single biggest allocation, construction only 1.1 per cent, electricity 11.0 per cent, mining 1.0 per cent and transport and communications 18.2 per cent of all fixed investment. The source of finance of the investment is anticipated to change very little from the pattern of 1968, with public enterprises and foreign capital providing the same percentage, but with net private savings falling from 55 per cent in 1968 to 52 per cent in 1972, and government saving increasing its share from 4 per cent to 7 per cent of all savings. The share of foreign capital will remain at 8 per cent of total investment finance, or US$359 million. However, a total of US$743 million of foreign capital will be required in all, of which US$261 million will be needed for repayment of debts and US$123 million for increases in the reserves. Of the US$743 million, 42 per cent remains to be negotiated in the form of loans.

It is estimated that, by 1972, the total population will have increased by 1.2 million, and the labour force by 720,000. It is planned to create addi-

[83] *Ibid.*, p. 140.

[84] *Industry of Free China*, July 1969, p. 164, converted at going exchange rate, *ibid.*, p. 192.

[85] *Free China Weekly*, 17 August 1969.

tional employment for 686,000 and the number of unemployed will increase slightly, by 34,000. Employment in agriculture is projected to grow slowly at 1.3 per cent per annum, and in industry by 5.2 per cent per annum.

Exports are projected to grow at 12.5 per cent annually, a rate lower than the 17 per cent increase achieved during 1965-1968, and imports are planned to grow at 10.9 per cent per annum, much less than the 21 per cent of 1965-1968. The deficit in the balance of payments is projected to continue through 1972, for goods and services, but its size will fall to US$81 million as compared with US$105 million in 1968.

The plan as a whole appears conservative as regards growth rates and investment rates and may therefore be overfilled, as commonly happens in Taiwan, but the lengthier gestation periods of the type of investment allocation planned for must be borne in mind.

The projections on imports look a little sanguine, judging by past performance on both plans and outcome, and it may not prove possible to hold imports down to an average increase of 10.9 per cent without severe import controls and/or reducing the growth rate below the levels of the recent past, especially in view of the greater stress laid on heavy industry and infrastructure which tend to have a high import content. A tempting solution might be to run an increasingly large deficit by attracting larger amounts of foreign capital inflow, since this allows growth to continue unchecked and the country's credit rating is not low in international circles. If this latter eventuality occurs, there is a possibility that inflation, so successfully avoided in the past, may require to be controlled.

India

Introduction

The Indian economy, in the 1969/70 financial year, the first year of the fourth five-year plan, is expected to achieve an over-all growth of 5 per cent which compares favourably with the plan target of 5½ per cent per annum. Agricultural and industrial output may increase by 4½ and 7 per cent respectively. However, towards the end of the year, India finds itself in the midst of economic difficulties, such as slower than anticipated growth in exports, worsening climate for foreign aid in the donor countries, a declining rate of investment caused mainly by inadequate domestic savings, and a general uncertainty over the direction of economic policy. Difficulties in the relationship between the Central and the State Governments and regional differences among the States have raised many problems affecting the economic administration of the country. If anything, India in 1969/70 has been tending towards greater state control of the means of production and nationalization of some crucial sectors of the economy. The nationalization of the fourteen major commercial banks in July 1969 was subsequently invalidated by a ruling of the Supreme Court in February 1970, but the government acted immediately and introduced another ordinance to overcome some of the objections raised by the Supreme Court.

During 1968/69, the full impact of the "Green Revolution" on the agricultural sector had not yet been felt and the economy could not make faster progress towards recovery from the slump experienced in the previous years. Although industrial output expanded by about 6 per cent, this was inadequate to revitalize the economy. With deficient demand for its products, induced both by the slow growth of agricultural output and the restraint on government spending, excess capacity in industry persisted. With recessionary conditions, the trade balance improved during 1968/69 (ending March) and reserves increased by $51 million to $769 million during the year.

The most encouraging aspect of Indian economic performance during 1968/69 was the large increase recorded in the exports of non-traditional items.

Tentative indications in 1969/70 are that there will be a continued but perhaps slightly slower expansion of exports along with declining imports. The accretion to reserves has continued and, by the end of December 1969, reserves had reached about $927 million. The recovery has far to go yet and the importance of the agricultural sector appears further emphasized. The uncertainties in economic policies which affected the economic climate in 1969 are likely to disappear in the wake of the 1970/71 budget presented in February 1970.

The move towards greater liberalization also has been affected by socio-economic uncertainties. Even earlier, the Industrial Licensing Policy Enquiry Committee had raised some questions about the trend towards reliance on the price mechanism and the elimination of controls. With the continued development of the industrial sector, India, in common with many other developing countries, is searching for means to tackle the problem of industrial concentration and monopoly.

On the brighter side, encouraging steps have been taken to rationalize administrative and managerial processes in the state industrial undertakings and project assistance from Japan was resumed.

In spite of the initial promise held out to India by the "Green Revolution", the pace of progress has been inadequate. In particular, there are signs that the domestic fertilizer manufacture programme has

been slow to catch up with the needs of the new agricultural strategy. Another by-product of the agricultural revolution in India which yet needs an answer is the alternative to food aid in helping to harness domestic resources. Without the requisite policy regarding taxation of incomes in the agricultural sector, the gradual decline of food aid would require measures to raise adequate domestic resources.

In the field of trade and co-ordination of effort, the coming into effect of the Protocol between India, the United Arab Republic and Yugoslavia on 1 October 1969, is worthy of notice. The countries have agreed on a single list of commodities for mutual tariff concessions and have agreed to add a further 57 items to the already existing 77. The trends towards co-operation in other commodities and with countries of Asia are yet to be decisively established, although some trade agreements with Asian countries have been negotiated recently.

In the field of foreign assistance, the picture has become quite gloomy. In many ways the disenchantment of the donors with foreign assistance may be felt more severely in the situation prevailing in India. Because of the sheer quantum of assistance that has been given to India the evaluation of its performance has often tended to be much more stringent than for other countries although per capita aid flows to India are much smaller than to many other countries. With stagnating flows of assistance from the major donors, India has had to face the prospect of somewhat declining flows of total foreign assistance during the past two years.

Problems of debt servicing have been increasing. Some relief has been provided by some degree of ad hoc re-scheduling. However, action by the donors on a basic acceptance of the necessity for softer terms in lending is yet to come. With the repurchase of $88 million from the IMF during 1969 and higher levels of foreign reserves, the pressure has been markedly reduced.

While total availability of foreign assistance (loans and grants) has been on the decline since 1966/67, fresh commitments in 1968/69, at $1,180.5 million, were higher by almost 25 per cent than the previous year (but lower by about 45 per cent than the commitments for 1966/67). However, because of disbursements of the order of $1.6 billion in 1967/68, the year 1968/69 opened with a much smaller amount in the pipeline and consequently the total availability during the year was less than in 1967/68. Disbursements in 1968/69 were almost one third less than in the previous year and the 1969/70 financial year opened with an aid pipeline of about double the average disbursements over the past three years. Foreign assistance expectations, as reflected in the 1969/70 budget, had envisaged a slight increase in 1969/70 to bring receipts to above the level of 1968/69. Expectations since then have, however, turned gloomy with the possibility of a large cut in the commitments of the United States. The 1970/71 budget estimates net foreign aid receipts (including PL480) at about Rs 5,320 million which is about 13 per cent less than the revised estimate for 1969/70. However, with declining imports and requirements of external inputs because of slow industrial recovery, India can expect to come out without any serious reduction in the pipeline availability for 1970/71.

Table II-2-9. India: Grants and loans committed and utilized

(in million US dollars)

Year	*Commitments in the pipeline at the beginning of the year*				*Fresh commitments*			
	Grants	*Loans*	*PL-480*	*Total*	*Grants*	*Loans*	*PL-480*	*Total*
1966-67 . . .	115.4	2,308.8	226.1	2,650.3	106.2	1,504.3	523.5	2,134.0
1967-68 . . .	95.3	2,910.0	270.0	3,275.3	22.3	607.6	323.9	953.8
1968-69 . . .	36.9	2,443.3	170.0	2,650.2	87.3	997.7	95.5	1,180.5
	Total availability				*Disbursements*			
	Grants	*Loans*	*PL-480*	*Total*	*Grants*	*Loans*	*PL-480*	*Total*
1966-67 . . .	221.6	3,813.1	749.6	4,784.3	126.3	903.1	479.6	1,509.0
1967-68 . . .	117.6	3,517.6	593.9	4,229.1	80.7	1,074.3	414.5	1,569.5
1968-69 . . .	124.2	3,441.0	265.5	3,830.7	81.6	874.6	112.7	1,068.9
	Balance of commitments at the end of the year							
	Grants	*Loans*	*PL-480*	*Total*				
1966-67 . . .	95.3	2,910.0	270.0	3,275.3				
1967-68 . . .	36.9	2,443.3	170.0[a]	2,650.2				
1968-69 . . .	42.6	2,566.4	152.8	2,761.8				

Source: Ministry of Finance.

[a] Excludes de-obligated amount of $9.4 million.

Performance and prospects, 1968/69 and 1969/70

With an estimated 1.8 per cent increase in national income[86] in real terms, the Indian economy progressed slowly along the path of economic recovery in 1968/69. Meanwhile, the population continued to increase at about 2.5 per cent and a net fall in per capita income was thus inevitable. Viewed in the light of the much larger 8.9 per cent increase that was achieved in 1967/68, the performance in 1968/69 may appear disappointing. It should be remembered, however, that 1967/68 was a recovery year after two successive years of recession, crop failures and fall in national income; the growth achieved in 1968/69, though small in absolute terms, was above the 1967/68 level. Viewed from another angle, 1968/69 was a year with the rate of growth smaller than the average annual increase of 2.8 per cent during the third plan period (1961/62 — 1965/66) which included the drought-ridden year 1965/66 when national income actually declined by 5.7 per cent.

The slower rate of growth in 1968/69 was the result of an 1.4 per cent fall in agricultural crop output (as against the 19 per cent increase in 1967/68). Net output from the agricultural sector (including animal husbandry, forestry and fisheries) declined by 1.1 per cent. However, with a 4.4 per cent increase in the output from the non-agricultural sectors, the national income rose by 1.8 per cent.

The new fourth five-year plan (1969/70 — 1973/74), which began in April 1969, projects an average annual rate of growth of about 5.5 per cent with a total plan investment of Rs 222.52 billion,[87] a 5 per cent growth in agriculture and an 8 per cent growth in industry. Of the total plan investment of Rs 222.52 billion, public sector investment is placed at Rs 132.76 billion and private sector investment at Rs 89.76 billion. Plan outlay in the central and state government budgets for 1969/70 was about Rs 22.7 billion which is less than the average annual rate of investment indicated in the public sector plans.[88] There are no firm estimates available on the level of private sector investment, but capital market trends do not indicate any impetus to new capital issues. The expected 6-7 per cent increase in industrial production in 1969/70 will have to come about mainly through the fuller utilization of existing capacity following improved raw material supplies, the lagged effect of the liberalization policies introduced earlier and the minor fiscal incentives provided in the current year's budget. Over-all, the economy may be expected to grow by about 5 per cent in the current fiscal year if foodgrain output reaches about 97 million tons and agricultural output increases by 4-4½ per cent.

[86] Central Statistical Organization, "Quick Estimates of National Income for 1968/69".

[87] Including current outlays in the plan, the target for total outlay is Rs 248.55 billion.

[88] The 1970/71 budget, however, provides for a 16 per cent increase in public sector plan outlays.

Agriculture

Output in this sector had a slight setback in 1968/69. The decline in output was significant in minor cereals, such as barley, bajra, ragi and maize, in pulses and in commercial crops, such as cotton, jute and oilseeds. However, large increases in the output of wheat and somewhat smaller increases in rice, the two staple foods of a majority of the population, and large increases in sugarcane were the redeeming feature of agricultural performance in 1968/69. The unfavourable crop situation was mostly attributed to unfavourable weather conditions, but in some cases reduced acreage was also responsible.

Foodgrain production in 1968/69 declined to 94 million tons from the record crop of 95 million tons in 1967/68 (revised estimates). The earlier estimates of 96 million tons had to be revised downwards because of declines in the output of barley (31 per cent), bajra (27 per cent), ragi (13 per cent) maize (9 per cent) and pulses (14 per cent). The heartening increases in the yields as well as the outputs of wheat and rice (12.8 and 5.7 per cent respectively) only partly offset the shortfall in the others and consequently total foodgrain output fell by about 1 per cent.

Wheat and sugarcane appear to be the main beneficiaries of the agricultural modernization programme in India. However, total area under high-yielding varieties of seeds is estimated to have increased from 1.9 million ha in 1966/67 to 6 million ha[89] in 1967/68 and is expected to be 8.5 million ha in 1968/69. Similarly, there has been almost a doubling of the area under multiple-cropping in 1968/69. The consumption of all types of chemical fertilizers has risen from about 0.65 million tons in 1964/65 to about 2.8 million tons in 1968/69.[90]

Among the cash crops, sugarcane alone showed a higher output: a significant 30 per cent over the 1967/68 crop of 100 million tons. Oilseeds, cotton and jute crops declined and this in turn caused stringent supply conditions in the industries using them as raw materials. In the case of raw cotton, imports in 1968/69 (130,000 tons) were also lower than in 1967/68 (143,000 tonnes). The decline in raw jute output was precipitous (from 7.5 to 4.3 million bales) and the steps to increase imports (from 20 thousand to 600 thousand bales) could not redeem the situation and raw jute prices rose sharply over the year. Output of oilseeds declined from 8.2 to 6.9 million tons and imports of soybean oil are estimated at 0.08 million tons, the same as in the previous year.

[89] Of which, 1.78 million ha were under rice and 2.94 million ha under wheat.

[90] Government of India, *Economic Survey 1968/69*, p. 7.

The Agricultural Prices Commission had estimated total production of kharif (autumn) foodgrains at about 68 million tons, of which rice was about 42 million tons. Subsequent estimates place total kharif foodgrains production at 65-66 million tons. Assuming that the output of rabi (spring) foodgrains and pulses are maintained at last year's levels of 21 and 10.4 million tons respectively, total output of foodgrains this year may be about 97 million tons. But this will be a conservative estimate. There might very well be an increase in the rabi production as well. Punjab and Haryana have reported forecasts of bumper wheat crops this rabi season and total wheat production may go up by a million tons. Foodgrain production in 1969/70 may increase by at least 4 per cent.

With regard to commercial crops, output of oilseeds is expected to increase substantially, from 6.9 million tons last year to about 8 million tons. Similarly, raw jute output will go up from 4.3 to about 7.2 million bales. The prospects for the sugarcane crop are also reported to be good, with favourable weather conditions, and available reports of cane sowings indicate a further increase in output in 1969/70.

India now appears to be nearer self-sufficiency on the food front. The breakthrough in agriculture is gaining momentum and "modern" agriculture is fast catching on. The Indian farmer has demonstrated his readiness and willingness to adapt and, assisted by the spread of institutional facilities for credit, marketing, fertilizer purchase, farmer education, guaranteed price support, etc., the "Green Revolution" is spreading.

However, the impact of the "Green Revolution" has so far been substantially on wheat, and, to some extent, rice. Other crops, such as the minor cereals and pulses, cotton and jute, are yet to benefit and their yields are low compared with those obtaining in many other countries. Agricultural policy should concentrate also on increasing the yields of commercial crops such as jute, cotton and oilseeds so that there will be a steady resource base for industries dependent on them.

Industry and mining

The seasonally adjusted index of industrial production (1960=100) showed a 6.6 per cent increase in the calendar year 1968. Except for significant declines in cotton textiles, jute manufactures and tea, which together have a weight of about 18.5 per cent in the index, the increase was spread over most industries. Significant growth industries were chemicals and chemical products (33 per cent), cement (20 per cent), petroleum refinery products (20 per cent), aluminium (10 per cent) and prime movers, boilers and steam generating plants (156 per cent).

Cotton-textiles and jute-manufacturing industries were plagued by raw material shortages; the latter had, in addition, restive labour which brought about production losses through strikes, lock-outs and gheraos (forced confinement of management by labour). The strikes and labour unrest which affected the tea industry also, particularly in the Darjeeling and Jalpaiguri districts of West Bengal, cost an estimated Rs 100 million in lost output, wage settlements and *ad hoc* grants to labour. According to the Reserve Bank of India *Annual Report* for the year ended 30 June 1969, the number of man days lost through strikes and lock-outs during 1968 was 13.83 million, compared with 17.14 million in 1967 and an annual average of 5.8 million man-days lost during 1961-1965.

A number of basic and heavy industries, which have only a small weight in the total industrial production index, showed declines in output. Examples are: manufacture of mining, earth-moving and construction machinery; machinery, apparatus and supplies for the generation, storage, transmission and transformation of electrical energy; electrical motors and furnaces; electrical cables and insulators; and railroad equipment. These industries are dependent to a large extent on the demand for their products generated by public sector investments in projects using them, such as power projects, irrigation and rural electrification works, steel mills and railroad expansion works. The slowing-down in public sector investments in 1967/68 and 1968/69 accentuated the already existing recessionary conditions in these industries, although some recent export orders for their products may indicate better prospects.

Consumer goods industries emerged as one of the leading growth sectors and provided the main impetus to the increase in the aggregate industrial production index. The growth rate for this group as a whole was over 12 per cent. Among them, sewing machines, bicycles, motorcycles and scooters, refrigerators, soap and water meters showed a prominent upward trend in production. During October 1968 to April 1969, production levels in these industries were higher by 20 per cent or more than during the same period a year before. Producers' stocks of finished goods are also reported to have declined. A part of this boom may be attributed to the expanding rural demand arising from higher purchasing power in rural areas which, in turn, is a direct result of the "Green Revolution" and agricultural recovery. While it is a safe guess that rural incomes have increased following the agricultural recovery, the emergent pattern of effective demand was unanticipated and the boost it gave to industrial goods was experienced by many of the consumer durables industries and by manufacturers of items of daily consumption.

Despite lags in certain basic industries, there was an over-all improvement in industrial production, and the rate of growth of 6.6 per cent in 1968 was a marked improvement over the earlier two years when the over-all index was almost stagnant. However, there is a long way to go yet before the growth rate can regain the pace that was maintained in the early sixties. Between 1961 and 1965, the average annual increase in the index of industrial production was over 10 per cent. Yet another feature of the industrial recovery in 1968 was the improvement in capacity utilization, particularly in intermediate and consumer goods industries. According to the Reserve Bank of India *Annual Report 1969,* the stock-output ratio in these industries showed a significant fall. In contrast, however, it appears that there has been very little improvement in the utilization of capacity in a number of basic industries. In some of them it may indicate some degree of over-built capacity (heavy machinery, railway wagons); in others, bottlenecks in raw materials and component supplies prevented fuller capacity utilization (steel castings, heavy structurals, steel pipes and tubes); and in some others, there was a variety of problems, such as labour troubles, technical snags and management difficulties.

Unofficial estimates place the rate of growth in industrial production in 1969 at about 7 per cent. This assumes that there will be no significant constraints in power and transport. Industries other than cotton textiles may be expected to show a growth rate of 7-8 per cent while the cotton textile industry is likely to register only a marginal growth.

A disturbing aspect of the short-term outlook for industry is the failure of private investment to recover. The capital market was on the whole sluggish and dormant despite the recovery and buoyancy in the share-market. The index of variable dividend securities increased by 11 points (14 per cent) between March 1967 and March 1969. Between April and June in the 1969/70 fiscal year, the index increased by another 10.3 points (11.6 per cent), and between July and September there was a two-point decline. There was significant buoyancy in the share-market from the beginning of the year, influenced in part by the concessions granted in the 1969/70 budget; fearing a run-away increase in share prices and in order to avoid unhealthy speculation, the Government completely banned forward trading in July. The market was somewhat subdued after that and a decline in share prices took place. The behaviour of share prices in the first half of 1969[91] was a fairly good indication of industrial recovery and profits, but the absence of a recovery in fresh capital issues leads one to the conclusion that whatever recovery has taken place has relied more on fuller use of existing capacity than on newly created capacity. The long-term implications of this phenomenon need no emphasis. The private sector in 1969 was not yet ready with firm plans for new investments, and entrepreneurs were keenly watching for clearer indications of government policy changes.

The long-term outlook for industrial development appeared somewhat unclear in 1969 because of uncertainties in the direction of policy. The delays in taking policy decisions resulted in a stalling of guidance and incentive support from the Government. As a result of these difficulties, the administrative machinery of the Government proceeded with great caution, waiting for a clearer definition of policy to be announced.

The recently released Dutt Committee Report[92] on industrial licensing policy has recommenced far-reaching and radical changes in industrial development and licensing policy. The recommendations of the Dutt Committee, as well as those of the earlier one on industrial planning and licensing policy[93] have, in effect, called for a return to the pre-decontrol era and greater public sector participation in private industry, at least in those private sector companies which have obtained financial assistance from government-owned financial institutions. There is also a recommendation calling for a ceiling on the size of an industrial unit that may be permitted to operate in the private sector. The Monopolies Bill has been passed in the Indian Parliament. It appears very likely that all these recommendations may be accepted by the Government and a new industrial development policy may emerge before long with a bias towards the expansion of the public sector.

A shift towards greater public ownership and control of productive enterprise seems to be developing. In practical terms, this may lead to a much greater effort at resource mobilization for the public sector. Nationalization of the major commercial banks may be the first step towards this goal, but some other policy changes may come about. These changes may not be confined to the industrial sector alone; the agricultural sector also may have to undergo some economic reorganization. There is evidence that the Government will speed up implementation of land reforms.

The new thinking on industrial development in India is largely conditioned by the fundamental objectives of the pattern of society to be evolved through planned efforts. After almost two decades of planned development effort, and despite some remarkable over-all progress in agriculture and industry, per capita

[91] In the first six months of 1969, the average monthly index of equity share prices increased by 12.1 points (18.4%) compared with the 6.5 points (8.7%) increase in the same period in 1968.

[92] *Report of the Industrial Licensing Policy Inquiry Committee,* July 1969.

[93] Planning Commission (R. K. Hazari), *Final Report. Industrial Planning and Licensing Policy,* 1967.

income in real terms had gone up by only 1-1.5 per cent a year up to 1964/65.[94]. Moreover, the distribution of the gains of development has not proceeded evenly or been sufficiently extended to all sections of the society. Disparities have perhaps widened with the increase in aggregate income, output and consumption. The objective of preventing concentration of economic power has not resulted in all cases in practical policies for implementation.[95] While land reform legislation and ceilings on landholdings are encountering resistance from the vested interests in the agricultural sector, industrial development in the private sector in recent years is alleged to have unduly favoured the expansion of the larger industrial houses. These enterprises according to the Industrial Licensing Policy Enquiry Committee, had obtained a disproportionate share[96] in industrial licences issued for new units as well as for expansion. The Dutt Committee also observed that the influence built up by the larger industrial houses even worked in such a way as to pre-empt capacities in certain sectors. With the enactment of the Monopolies Bill and the likely implementation of many of the recommendations of the Dutt Committee, industrial development policy is likely to concentrate on rectifying these imbalances and also provide incentives for the industrialization of backward areas.

Prices and money supply

The relative price stability that was achieved in 1968, after several years of continuous and sometimes sharp increases, was slightly eroded in 1969. The official all-commodity index of wholesale prices (1961/62=100) increased by 4.7 per cent in 1969 as against a 2.6 per cent fall in 1968.[97] All major components of the index, with the exception of liquor and tobacco registered substantial increases. At the end of 1969, the food articles group was up by 5.8 per cent, industrial raw materials by 9.2 per cent, manufactures by 7 per cent, chemicals by 8.3 per cent and machinery and transport equipment by 4.5 per cent as compared with their levels at the end of 1968. Price movement was almost continuously on the increase through July 1969. During August to October there was a small decline and, in the last two months of the year, prices began rising again. Towards the end of 1968 and in early 1969, contra-seasonal increases in the price of rice were evident despite the bumper kharif rice crop. This movement was attributed to the heavy purchases by the Government for building up buffer stocks. Wheat prices declined through May with the flow of rabi wheat into the markets, but began to edge up from June onwards. However, both wheat and rice prices declined significantly after September. The prospects of a fairly good kharif crop in 1969/70, with a 4 per cent increase expected for foodgrains output, should help stabilize prices. Government stocks are also reported to be adequate and the buffer stocks are expected to increase from about 3.5 million tons at the end of 1968/69 to about 5 million tons by the end of 1969/70. Oilseeds prices accounted for the bulk of the increase in the raw materials group. Raw jute prices declined appreciably over the year, while raw cotton showed a small increase. Here again, the over-all movement was one of almost continuous increase through July and a decline thereafter through October. In the last two months of the year there was a resumption of the upward movement. The decline in the prices of foodgrains and industrial raw materials between July and October was mainly due to the anticipation of a bumper crop in 1969/70. The subsequent increases in their prices followed in the wake of a slight downward revision of the estimates of foodgrains production (from 100 to 97 million tons) as well as the estimates for cotton, raw jute, groundnut and other oil seeds production in 1969/70. The price increases in the manufactures sector are attributed to the rise in wages granted to labour in two major industries, jute and cotton textiles.

Money supply recorded an 11.6 per cent increase during 1969 as against a 5.6 per cent rise in 1968. There was a larger expansion of currency,[98] presumably following the rise in rural incomes. As regards the factors responsible for the changes in money supply, a substantial rise of Rs 2.48 billion[99] in net foreign exchange assets of the banking sector (Rs 880 million in 1968) was the major factor in this expansion. The expansion of net bank credit to the government as well as the private sector was also higher than in 1968. However, the Reserve Bank's holdings of *ad hoc* treasury bills, which indicates the extent of budgetary deficits of the central government, showed a net creation of only Rs 150 million in 1969, as compared with Rs 2.1 billion in 1968.

The pressure on prices that was evident in 1969 may be attributed partly to the rise in aggregate demand as reflected in the accelerated growth in money supply and partly to the shortages in some items of foodgrains, such as pulses and coarse grains, and key raw materials, following the decline in their production in 1968/69.

[94] In the years since 1964/65, there has actually been a decline in real per capita income.

[95] However, the Dutt Committee Report, released in July 1969, recommended two specific measures to control the development of monopolistic groups in the private sector: (i) prevention of further development (expansion) of the twenty largest industrial houses and (ii) government participation through conversion of loans provided by government financial institutions into equity shares.

[96] Disproportionate in relation to their numbers as well as their share in the total paid-up capital of all private sector companies.

[97] Monthly averages.

[98] Rs 3.93 billion in 1969 as against only Rs 1.62 billion in 1968. Deposit money increased by Rs 2.34 billion (Rs 1.25 billion in 1968) and total money supply by Rs 6.27 billion.

[99] Excluding the rise on account of the revaluation of gold held in the Issue Department of the Reserve Bank with effect from 1 February 1969.

Foreign trade and balance of payments

Extreme caution and conservatism in import licensing policy and the success of determined export promotion efforts appear to have paid dividends and there was a significant improvement in the trade balance in 1968/69. The trade deficit narrowed from about $1,145 million in 1967/68 to about $670 million in 1968/69. Preliminary estimates for the first eight months of 1969/70 indicate a further decline in the deficit.[100]

Taking into account foreign aid utilization, debt service obligations and other transactions, including private capital flows and net transactions with the IMF, there was a net increase in foreign exchange reserves of about $51 million in 1968/69 compared to an increase of $80 million in 1967/68. The increase in the reserves in 1968/69 was achieved after repurchasing $78 million from the IMF and refunding $15 million of special deposits placed by the IBRD under the debt relief arrangement. In 1967/68, however, the reserves had benefited from a net purchase of $32.5 million from the IMF and special deposits of $46 million by the IBRD for debt relief.

Current expectations are that exports in 1969/70 will show a more moderate increase than the unprecedented 13 per cent rise achieved in 1968/69. Total exports are likely to be of the order of $1,900 million compared with last year's $1,805 million, a 5.3 per cent increase. The growth in export earnings last year was achieved despite a fall in traditional exports such as tea, jute manufactures, tobacco and raw hides and skins. The growth exports have been in iron and steel, electrical goods and machinery, transport equipment, iron ore, cashew kernels and leather and leather manufactures. These same export goods should raise total earnings in 1969/70 also, although some supply bottlenecks have emerged in respect of a few of them. Steel shortages that developed in August-September of 1969 considerably affected the export trade in bars and rods and other fabricated and re-rolled steel products. The shortage had been felt by early October and affected export commitments as well as indigenous re-rollers and small scale fabricators, and the engineering industry had to curtail production. Shortages were also felt in pig iron, mild steel and alloys. The steel supply situation had worsened by mid-November, and the Government had to reintroduce distribution controls which, in effect, meant a return to conditions prevailing before May 1967 when steel was declared a decontrolled commodity. The situation that has developed will very likely not only affect exports of iron and steel, but also set in motion a chain reaction affecting the export capabilities of practically the whole range of engineering industries. Despite the corrective measures being attempted by the Government, steel and engineering goods exports in 1969/70 may not show any significant increase over 1968/69. An order of 2,000 railway wagons for export to the USSR, if it had materialized, would have meant exchange earnings of Rs 230 million. In the case of jute manufactures, which had traditionally been the single biggest export earner for India and which in recent years have been on the decline because of competition from other countries as well as synthetic substitutes, the prospect for 1969/70 appears good with the possibility of a bumper jute crop in the current year and the fall in raw jute prices in recent months. From a peak $384 million in 1965/66, jute exports steadily slipped to $290 million in 1968/69. Exports in the first three months of 1969/70 were about $79 million. The jute industry which is mainly based in the state of West Bengal has been persistently troubled by labour unrest. The raw jute supply situation appears to have eased, and following the cut in export duty from Rs 600 to Rs 300 a ton on carpet backing, the manufacturers are also reported to have offered a cut in the export price by as much as Rs 300 a ton. These developments should help improve the competitive strength of carpet backing, but the over-all performance of jute goods exports is not likely to be better than last year.

Tea and cotton textiles may well maintain the 1968/69 levels despite labour unrest and strikes in some of the plantations in the Darjeeling and Jalpaiguri districts of West Bengal. In the case of the cotton textile industry, improved raw cotton supplies should ease the constraints on cloth production to some extent, but, on the export front, it faces increasing competition from synthetic fabrics and sources such as Hong Kong and Japan. Iron ore exports may show some increase over the $118 million of 1968/69, especially in the light of reported new interest from Poland.

India's export promotion policy has undergone considerable change, modification and adjustment over the last three years. In several instances, the export duties that were introduced soon after the rupee devaluation in June 1966, with the intention of siphoning off a part or the whole of the windfall rupee realizations accruing to the trade and industry, have had to be revised downwards or even repealed in line with the changing conditions in the industries and foreign markets. The policy with regard to export subsidies and import entitlement licensing has also been modified to suit changing circumstances. Recent examples are the reduction in the export duty on carpet backing and the withdrawal of cash subsidies on steel exports following the rise in the international price of steel and the general shortage of steel that has developed in the world markets. India could

[100] During April-November 1969, exports were $1,222 million compared with $1,219 million in the same period of 1968. Corresponding estimates for imports are $1,348 million in 1969 and $1,682 million in 1968. The trade gap thus narrowed from $463 million to $126 million.

very well have capitalized on these developments and established new markets for its steel, but domestic production bottlenecks developed in the meantime and supplies to the export sector were restricted.

Total exports in the first four months of the 1969/70 fiscal year were about $605 million, or 6.9 per cent higher than during the same period in 1968/69. In fact, the performance in the first quarter was even better — 12 per cent higher than the first quarter of last year. But then there was a decline in exports in July. With the reported fall in the exports of steel and engineering goods in recent months, total exports in the current year may not show an increase of more than 5 per cent and may be of the order of $1,900 million.[101]

On the imports side, the decline that began in 1966/67 continued into 1968/69. Provisional estimates for 1968/69 place total imports at $2,480 million which is about 9 per cent less than the $2,745 million of 1967/68. This was mainly due to smaller food imports. Non-food imports remained roughly at the previous year's level. This again provides some evidence that the serious attempts at import substitution are beginning to show results. The downward trend in total imports appears to have continued in 1969/70 also as the data for the first four months (April-July) show total imports at $649 million as against $924 million during the same period in 1968/69. Commodity details are available only for the period April-June when non-food imports were down to $373 million from the $544 million of the same period last year. Food imports were also down as were other important commodity groups, such as cotton, fertilizers, petroleum and petroleum products, chemicals, non-ferrous metals and machinery, but there is no guarantee that this trend will continue or be maintained for the rest of the year. Two kinds of forces will act on imports and pull in opposite directions. On the one hand, the desire for self-sufficiency, import substitution and conservation of foreign exchange will call for continuance of the already restrictive import policy or even recommend a further tightening. The possibility that foreign aid will fall considerably short of the expectations enterained at the beginning of the 1969/70 fiscal year will lend support to this line of argument. The Central Government budget postulated a net absorption of foreign aid (excluding PL-480 assistance and debt repayments) of about $620 million in 1969/70. Developments since then have shown a hardening of attitude towards economic aid on the part of the main aid-giving countries, particularly the United States, as evidenced by the cuts applied to the foreign aid bill in the various stages of its passage through the United States Congress. On the other hand, leaving aside food imports, if the industrial sector is to grow by 7 or 8 per cent, import demand for raw materials and accessories, particularly scarce items of steel, non-ferrous metals, etc., may increase, thereby raising the total import bill. A relevant example is the recent acute shortage of certain categories of steel and the Government's efforts to import them to feed the domestic engineering industry. However, if the low rate of new capital formation in the private corporate sector and the low growth rate of government investment in the public sector continue, total import demand of the industrial sector in the current year may not exceed last year's level. Allowing for some fall in food imports (in the wake of good harvests) total imports in 1969/70 may at the most be only about the same as last year, if not less. This should mean an improvement in the balance of payments position and a net addition to the foreign exchange reserves, considering the projected increase in exports. Preliminary estimates for the first three quarters of 1969/70 show a net accretion of $158 million to the reserves as against a depletion of 36 million in the comparable period of 1968/69. Over the calendar year 1969 there was a net increase of $245 million ($20 million in 1968), and total reserves at the end of December 1969 stood at $927 million which is higher than any year since 1957. The notable improvement in the reserves position in 1969 has resulted mainly from a significant fall in imports. Exports, as already mentioned, have shown only a halting increase.

Objectives and policies

Although the drought years of 1965/66 and 1966/67, the accompany economic recession, border troubles and a variety of other reasons prevented the implementation of a fourth five-year plan that was drafted in 1964, India has had a series of separate annual plans for the three years since the end of the third plan in March 1966. A new fourth five-year plan was drafted for the period April 1969 — March 1974 and presented to Parliament in April 1969.

Indicative planning by the Central Government has been accepted as the *modus operandi* of the development process in India. However, the plan documents are mainly concerned with programmes and projects in the public sector. Resource allocation, sectoral growth targets, etc. are worked out in considerable detail for the public sector. As against this, only the over-all investment target is prescribed for the private sector. The sectoral distribution of resources, subject to the over-all targets, is left to the private sector which is controlled through industrial licences, fiscal policy, price and distribution controls and other measures at the disposal of the Government.

In recent years, there has been a shift towards liberalization of the various controls on the private sector and expansion of the scope for its development.

[101] Preliminary estimates, based on actuals up to September 1969, show that total exports in 1969 will be about 3.6 per cent higher than in 1968. The increase in 1968 over 1967 was 9.2 per cent.

The de-licensing of selected industries in 1966 and the partial withdrawal of controls on capital issues were steps towards liberalization. This was supplemented by the industrial licensing policy announcement of February 1970, which abolished the formality of obtaining prior licences for industrial units with assets of up to Rs 10 million (US$ 1.33 million) if they had only 10 per cent or less of foreign exchange requirement. The new industrial policy seeks to assist the growth of small and medium-sized entrepreneurs and, at the same time, prevent further expansion of existing big industrial houses.

A demand is emerging for more comprehensive state control of the means of production and the access to economic resources. Emphasis is currently being laid on the declared objective of establishing democratic socialism in the country. The revised draft fourth plan has increased the share of public sector outlay from about 55 per cent to almost two thirds of the total oulay. However, a continuing debate is taking place on the political front on the economic issue between comprehensive state control and moderate liberalization.

The net result of the uncertain situation in 1969 was a slow-down in the rate of new private investment. Consents for capital issues in respect of non-government public limited companies in the form of shares and debentures (excluding bonus and miscellaneous issues) amounted to only Rs 765 million in 1968/69 (April-March) as against 126.1 crores in 1967/68.[102] There is no evidence of improvement in the current year. According to preliminary data new capital issues through both prospectus and company incorporation during 1969 was substantially lower at Rs 575 million as compared with Rs 684 million in 1968 and Rs 816 million in 1967. This decline in the rate of new capital issues is rather disturbing in the context of a bouyant share market and rising share prices[103] following the recovery of 1967/68. Yet another indication of the slow-down in new investment activity is the decline in the total financial assistance disbursed by the term-lending financial institutions. The total assistance disbursed by these institutions in 1968/69 (April-March) was Rs 851 million as compared with Rs 1,050 million in the previous year.[104] New investment was still shy in 1969, probably because of the uncertainty regarding the shape of industrial development policy (and economic policy in general) that will emerge.

[102] Reserve Bank of India, *Annual Report for the Year ended 30 June 1969, p. 14.*

[103] During calendar year 1969, the Reserve Bank of India index for variable dividend industrial securities (1961/62 = 100) gained 9.2 per cent as against a 7.9 per cent increase in 1968, despite sharp declines registered during July-August immediately after the nationalization of 14 major commercial banks on 19 July and towards the end of the year because of fears of increasing direct taxation and greater government control measures in the next budget.

[104] Reserve Bank of India, *Annual Report for the Year ended 30 June 1969*, p. 15.

Public sector plan investment, which had not shown any appreciable improvement since 1966/67, has however been given a welcome boost in the 1970/71 budget. Total annual plan outlay in the public sector was practically stagnant between 1966/67 and 1968/69.[105] In 1969/70, plan outlay was only Rs 23.39 billion,[106] which was less than the estimated outlay of Rs 23.6 billion in 1968/69.[107] However, the 1970/71 budget estimates total plan outlays at Rs 26.37 billion, a 16 per cent increase over 1969/70. Nevertheless, the rate of investment has to improve considerably in the next four years if the intended plan targets are to be realized. This calls for greater effort in domestic resource mobilization and a cautious and restricted expansion, if not reduction, in the commitments of non-development expenditure in the public sector. The policy objectives and desired line of action are laid out in the draft plan as well as in the Budget Statement of February 1970. The domestic saving rate has to be increased from the estimated 8 per cent in 1968/69 to the desired 12.6 per cent in 1973/74 and the rate of investment from about 10 per cent to 13.8 per cent. It is anticipated that there will also be a reduction of net foreign aid by half the present amount; elimination of food imports by 1971; increase in exports by 7 per cent per annum; and maintenance of relative price stability. The initial breakthrough that has been achieved on the agricultural front will have to be sustained and built upon; this may very well provide the foundation on which the growth potential in the other sectors can be built up. It will however call for a whole set of suitable fiscal and monetary incentives. With the uncertain extent of the role of the private sector, the performance of the expanding public sector and its ability to generate significant net saving will be a crucial factor influencing India's development efforts.

Indonesia

General review

The transition from stabilization to development efforts characterized the Indonesian economy of 1969. Marked reduction in the rate of price increase, after years of rampant inflation, permitted policy-makers to shift emphasis to problems of development. This was made urgent by the side effects of the stabilization policy: the tendency towards stagnation in many lines of activity.

Production of foodstuffs other than rice seemed to have recovered from the setbacks in 1967 and 1968. Another successful year of rice production did not obviate price increases and the necessity for large-scale imports. High international prices for rubber

[105] Rs 21.37 billion in 1966/67; 22.42 billion in 1967/68; and 23.6 billion in 1968/69.

[106] Revised estimate for 1969/70.

[107] Planning Commission, *Annual Plan 1969/70*, Table 2.4.

and other estate crops and favourable weather conditions were responsible for greater production and exports.

Petroleum exports increased rapidly. Tin, nickel and other minerals showed significant increases as a result of rehabilitation and of exploration and production by new companies. Foreign investment projects were approved at a rapid pace, especially in mining; prospects for mineral exports are therefore bright. Timber, a relatively new export for Indonesia, will also become an important exchange earner as the foreign firms investing in this sector start to export.

Foreign and domestic investment in manufacturing remained small, hampered by stagnating demand in the wake of stabilization efforts and by lagging implementation of medium and long-term financing. A government savings drive, begun in October 1968 with attractive interest rates, yielded an increase in deposits with state commercial banks from Rp 1.9 billion to over 33 billion at the end of 1969, despite the progressive lowering of interest rates as stabilization became more apparent. Interest rates on loans were also lowered but the private business sector still complained of restrictive credit policies.

Revised estimates for 1968 reflected a growth of real gross domestic product of 6.6 per cent; the increase in 1969 may well have matched or exceeded this.

The Five-Year Development Plan, launched in April, marked the beginning of the new development era; it was a rather slow beginning as government expenditures and delayed project aid arrivals fell below targets. With the continued slow tempo of activity in the private sector, the government role in development remains crucial, though less direct since the return to market forces in October 1966.

There is a causal interaction between these favourable factors, increased utilization and growing aid commitments from Western countries. Foreign debt repayment has become increasingly serious. A recent proposal to Western donor countries suggested complete remission of interest and repayment of principal in thirty equal instalments, on the criterion that debt service on new and old debt should not exceed 20 per cent of current earnings.

In 1969, for the first time, the current expenditure budget showed a surplus — a welcome addition to the growing development budget. Salaries in government service are still extremely low; 90 per cent of all civil servants are said to earn less than $10 per month. Overstaffed government offices and low salaries make the administrative machinery inefficient, with unfavourable repercussions on production and economic performance. The 1970/71 budget calls for a 50 per cent increase in wages for all civil servants. To be effective, the increase must be accompanied by rationalization of government offices.

The Five-Year Development Plan

On 1 April 1969, Indonesia launched its five-year development plan for 1969-1973. The present plan is perhaps the first serious attempt at implementing a development plan in Indonesia, despite two earlier attempts at planning.

The first attempt was the five-year development plan for 1956-1960. Tardily approved by Parliament in 1958, the plan was virtually abandoned. The eight-year over-all development plan for 1961-1968 was haphazard and met a similar fate when the West Irian campaign and the conflict with Malaysia necessitated the diversion of resources. As a set of policy directives, the second plan had lost significance in a situation of rapid inflation.

Economic policy changes provide a favourable climate for the serious implementation of the present plan. Stabilization is being achieved earlier than expected, enabling the government to become the main agent of development by stepping up its investment rate.

The five-year plan is a partial plan. Targets are set for certain key sectors for which data are available and which are more susceptible to government influence. Comprehensive consistency among sectoral programmes has not been attempted. Sectoral targets were based on estimates of supply conditions and resource availability and on projected demand in external and domestic markets.

Agriculture is to receive the major emphasis in the plan, principally rice and other foodstuffs, but also export commodities. Infrastructure and manufacturing will be emphasized insofar as they contribute to a rapid growth of food production, exports or import-substitutes for essential commodities such as textiles.

Among the important targets is that of increasing rice production from 10.52 million tons in 1969/70 to 15.42 million tons in 1974/75, a total increase of 46.5 per cent, or an annual rate of 7.9 per cent. Optimistic though this target may appear, the 10.7 per cent increase in rice production in 1968 gives cause for hope.[108]

During the period of rapid inflation and the subsequent two years of stabilization, production in much of industry and agriculture stagnated or retro-

[108] For comparison see *Ceylon's Planned Rice Programme* for the 8 years 1968-1976, projecting an increase of 85 per cent in production.

[109] For example, during the plan period, paper production is expected to grow by 940 per cent to an annual rate of 166,500 tons, nitrogenous fertilizers by 767 per cent to an annual rice of 403,500 tons and cement production by 175 per cent to 1,650 thousand tons.

gressed. The apparently optimistically high rates of growth indicated for most commodities thus represent recovery from below-capacity levels.[109]

In petroleum production, tin mining and other minerals, high production targets may be underestimates, given the rate of approvals of contracts signed with foreign companies. Production of petroleum in 1969 rose by 20 per cent as against a plan target of 10 per cent. In addition, Indonesia has long neglected potential resources for new exports, such as timber and shrimp, both of which are rapidly expanding commodities in world trade. The increase in timber exports, by 1,000 per cent in five years, starts from a small base and is possibly a conservative estimate, judging from the extent of contracts for timber exploitation and export.

While the physical targets of the plan may be quite realistic, data available on the performance of the first year of the plan show a serious shortfall in government expenditure. For the private sector, stagnating demand may pose a problem for reviving industrial production. Restrictive credit policies, high interest rates, and scarcity of long-term investment credit may accentuate the problems stemming from conditions of repressed demand. In these circumstances, the role of public policy and investment becomes quite crucial. The public sector has long played an important role in Indonesia. Now, under conditions of "decontrol and de-bureaucratization", although market forces will begin to affect the allocation of resources, government must not only maintain price stability but also assume leadership in the development process.

Foreign project aid is becoming more important to Indonesia under the five-year plan, because a major part of the development budget is being financed by such aid. A delay in aid arrivals or protracted negotiations to release aid funds will affect the execution of the plan. In 1969, frequent delays in provision of aid agreed upon at the Inter-Governmental Group on Indonesia (IGGI) meeting meant serious delays for several projects and, in part, accounted for the shortfall in development in expenditure.

Supply and use of economic resources

Recent comprehensive revision of the Indonesian national accounts permits a summary view of the over-all disposition of resources since 1960. (See table II-2-10) The virtual lack of structural change during 1960-1968 is doubtless the major characteristic reflected by these data. The changes in economic structure which did occur appear mainly as a tendency towards a decline in the commodity production share, chiefly in industry, until about 1965. The ostensible improvement in the performance of both agriculture and industry since 1965 is gratifying, particularly since the assessment of the growth of real output in commodity production sectors is less subject to inaccuracies in the correction for price changes. The lack of data for independent estimation of private consumption outlays limits the usefulness of the expenditure estimates. Nevertheless, the improvement in the rate of gross capital formation in 1968 is a salutary development provided it can be sustained.

Table II-2-10. Indonesia: Resources balance, 1960, 1965-1968

Rp '000 million (1960 prices)

	1960	1965	1966	1967	1968	Growth rate (per cent per annum) 1960-1965	1965-1968	1965-1966	1966-1967	1967-1968
Value added by:										
Agriculture	210.4	225.3	236.1	232.1	247.1	1.4	3.1	4.8	−1.7	6.5
Industry[a]	54.9	59.0	60.1	61.5	69.7	1.5	5.7	1.9	2.3	13.3
Utilities and transport	15.6	16.8	16.9	17.9	17.7	1.5	1.8	0.6	5.9	−1.1
Commerce and finance	59.7	71.7	67.9	74.2	79.5	3.8	3.5	−5.3	9.3	7.1
Services[b]	32.0	35.8	36.6	37.6	38.8	2.2	2.7	2.2	2.7	3.2
Public administration and defence	17.6	21.3	24.3	25.0	25.0	3.9	5.5	14.1	2.9	—
Gross domestic product at market price	390.2	429.9	441.9	448.3	477.8	2.0	3.6	2.8	1.5	6.6
Imports[c]	49.0	47.5	45.5	58.3	68.9	−0.6	13.2	−4.2	28.1	18.2
Total supply and use	439.2	477.4	487.4	506.6	546.7	1.7	4.6	2.1	3.9	7.9
Consumption	356.5	385.0	391.1	417.9	437.9	1.6	4.4	1.6	6.8	4.8
Private[d]	311.4	356.0	350.8	381.7	401.7	2.7	4.1	−1.5	8.8	5.2
Public	45.1	29.0	40.3	36.2	36.2	−8.4	7.7	39.0	−10.2	—
Capital formation	30.7	36.2	40.7	33.2	47.2	3.4	9.2	12.4	−18.4	42.2
Exports[c]	52.0	56.2	55.6	55.5	61.6	1.5	3.1	−1.1	−0.2	11.0

Source: Official sources.

[a] Includes mining, manufacturing and construction.

[b] Includes ownership of dwellings.

[c] Merchandise and non-factor services.

[d] Residual.

Domestic agriculture

Rice production in 1968 rose by 10.7 per cent to 10.3 million tons. Towards the end of 1969, it was announced that rice production reached 10.8 million tons in that year. The price rises from August through October and the import figures suggest that the main harvest may perhaps have been low. The retail price of rice fell in April and May with reports of a good main harvest, estimated at 5 to 10 per cent above 1968. Also influential was the failure of the Bureau of Logistic Affairs (B.U.L.) to buy as much rice as was planned, especially in the first half-year, though rice imports were continued in excess of the amounts originally programmed.

Domestic rice procurement during January to June 1969 was only 129,000 tons, 80,000 tons in general purchases and 49,000 tons of BIMAS[110] purchases. The former were only 47 per cent of the target. Total domestic procurement compares unfavourably with a revised annual target of 378,000 tons.[111] Administrative difficulties and high quality standards set by B.U.L. were alleged to have caused the shortfall in procurement. The Central Bank credit ceiling granted to B.U.L. appears to have been ample for the programmed purchases, both domestic and imports. B.U.L. will repay these credits from the proceeds of rice sales to government departments and the armed forces.

Under the credit terms of the *BIMAS gotong rojong* scheme,[112] foreign companies have been contracted to provide fertilizers, insecticides, aerial spraying services and vehicles to farmers in specified areas. The credit is repayable (in dollars) in one year by the Indonesian government; farmers participating in the scheme are required to pay the government one sixth of their production. As a result of intensification, production is expected to increase on average from 1.4 to 2.1 tons per hectare. Farmers have complained that the proportion is excessive because production fell short of anticipations; a proportionate levy may be expected to encourage under-reporting. In the event, B.U.L. anticipates collection of no more than $20 million worth of rice against contracted repayments of $55 million to the companies.[113]

Though reduced from earlier years, imports continued at a level of 190,000 tons during the first half year, including 155,000 tons in PL-480 imports, as compared with rice imports of 625,000 tons in 1968 and 346,000 tons in 1967. Rice prices started to rise in July 1969; by early October, the rice situation had so deteriorated that the Government was forced to place orders for emergency imports. Public confidence was restored and the crisis averted by official announcements that imported supplies of 790,000 tons would be earmarked for the fiscal year.[114] Sales from government stocks brought down the price by the end of October. Towards the end of the year, a season for rising prices, prices were kept steady by the arrivals of commercial and PL 480 imports. Actual imports for the year may in fact have come close to one million tons.

Output of other foodcrops recovered from the poor outcome in 1968, when production of maize, cassava and soyabeans had declined. Preliminary estimates for 1969 indicate that the production of maize recovered to 1967 levels, cassava recovered partially and sweet potatoes, groundnuts and soya beans more than recovered. Favourable weather conditions account for the apparent recovery in subsidiary foodstuffs. In addition, the low rice price in May and June 1969 resulted in some shift to other crops during the 1969 dry season, emphasizing the importance of an adequate price-support scheme.

Export agriculture. Production in 1969 presents a mixed picture with increases estimated for rubber, coffee, copra, tobacco and sugar and decreases for palm oil, tea and spices.[115]

Estate rubber production increased by 2.5 per cent in 1968 and is expected to increase by another 11.6 per cent to reach 230,000 tons in 1969. Apart from the unexpectedly favourable prices in 1969, estate rubber production is on the increase as foreign-owned estates are re-acquired by their previous owners. Smallholder rubber output declined from 538,000 tons in 1967 to 512,000 tons in 1968; early estimates for 1969 were 510,000 tons. Smallholder supplies are influenced by price and the favourable prices obtained in 1969 may well have led to increased output. The target for production of crumb rubber for 1969 was 10,000 tons to increase sharply to 150,000 tons in 1970 when twenty crumb-rubber units are expected to be in operation. At the end of 1969, it appeared that many operators had failed to fulfil their intentions to establish crumb-rubber factories.

Minerals

Oil, tin and nickel all showed rapid increases in 1969; contracts continue to be signed for joint

[110] BIMAS is the Indonesian rice production intensification programme with direct government support or that of foreign companies under contract.

[111] Revised target 8 September 1969 from B.U.L. The original target of 587,000 tons was revised downwards due to the expected poor out-turn of the dry season crop.

[112] As distinct from the general *BIMAS* scheme with no foreign credits.

[113] *BIMAS gotong rojong* is intended to supplement other intensification projects planned to cover 2.6 million hectares in 1969/70, or 34.1 per cent of area harvested. An increasing area is being planted with the high-yielding PB-8 and PB-5 varieties (IR-8 and IR-5).

[114] Revised target from B.U.L., 8 September 1969, broken down as follows: PL-480 and food aid 560,000 tons and commercial imports 230,000 tons.

[115] Department of Agriculture, first estimates for 1969 made early in the year. Sugar is no longer exported but is included because of its modern estate-type organization.

ventures with foreign firms for exploration and production of nickel, copper, oil, tin and bauxite. Despite the harder terms stipulated by the State Oil Monopoly, Pertamina, contracts for off-shore exploration for oil continue apace.

Tin output has increased consistently from 12,800 tons in 1966 to 17,836 tons in 1969, with an increase of 5.5 per cent in 1969. Production of petroleum, the major foreign exchange earner, increased by 20.5 per cent to 264 million barrels in 1969. Nickel production has increased by more than 30 per cent a year since 1966 to 265,000 tons in 1969. However, beauxite declined by 7.5 per cent to 820,000 tons in 1969, on the basis of an export stabilization agreement with Japan. Production of gold rose from 185.6 thousand kg in 1968 to 250 thousand kg in 1969, while that of silver increased from 9,613 kg to 9,660 kg.

In petroleum exploration, some 28 foreign companies have signed production-sharing contracts with the Government; total expenditure will be $304.4 million and the share of profit going to the Government will be either 65 or 67.5 per cent. The rapid increase in production during 1968 and 1969 continues to come from existing fields; new fields being explored are not likely to show significant results until 1971 or later.

Manufacturing

The manufacturing sector has suffered both from the inflation and from the restrictive credit policy of the stabilization programme. While exchange problems have for more than a decade made imports of spare parts and material inputs difficult and often impossible, import liberalization, as part of the stabilization measures introduced in 1966, has meant severe competition in some lines, textiles in particular. Lack of maintenance as well as spares has contributed to deterioration so that the prospect of achievement of levels of output approaching rated capacity is remote at best.

After a decade of neglect and deterioration, manufacturing can scarcely be expected to make a significant contribution to over-all growth without heavy outlays for rehabilitation. Despite the serious reduction of actual capacity to far below rated levels, the rate of utilization has been so low in recent years that meaningful additions to manufacturing output can be achieved provided that a reasonable level of inputs can be assured and that price levels are sufficient to permit reasonable profits.

There has clearly been some recovery in major branches of manufacturing activity during the past year, in spite of credit restrictions, heavy taxes and import competition. (See table II-2-11) Most significantly, the textile industry which is the largest industry group in the manufacturing sector, achieved an increase of the order of thirty per cent in 1969. Priority credit allocations and increased supplies of raw cotton and yarn, subsidized under the provisions of PL 480, are largely responsible for the improvement.

Rehabilitation and development of the manufacturing sector depend on a number of factors: in the immediate future, access to foreign exchange for imports of spare parts and intermediate inputs, credits, and a reasonable level of protection from competing imports. In addition, there are more than a score of so-called retarded projects, construction of which was initiated but not completed during the previous regime, often because such projects were constructed with Eastern European aid which has been suspended since 1966. These include a steel-rolling mill, cement, fertilizer, paper and vegetable-oil extraction mills; some are being completed with new sources of financing.

The new investment policy

The Government has promulgated laws containing a whole set of incentives for private foreign investment and domestic investment. The incentives include tax holidays, the assurance of transfer of investment income and repatriation of capital, compensation in the case of nationalization and duty-free imports of necessary raw materials, machinery and capital equipment. In addition, domestic investment approved under the law is exempt from enquiry into the origin of the capital.

For two decades, foreign investment was at best tolerated and frequently expropriated; the rapid processing and approval of foreign investment projects during the last two years, (shown in table II-2-12) is, by comparison, quite remarkable. The bulk of the capital is to be invested in a small number of mining and forestry projects, while manufacturing accounts for only about 8 per cent of the total approved under the new investment act.

Progress has also been made in the return of foreign-owned enterprises expropriated during 1963-1965, particularly in the plantation sector. By mid-1969, 62 agricultural estates belonging to 28 foreign companies had been returned and re-acquisition of another 30 estates had been refused by the foreign owners; negotiations for repayment of claims continue. By the end of November 1969, applications had been received for domestic capital investment permits for 281 projects with a total capital of Rp 96 billion; applications for about 200 projects with a total investment of almost Rp 40 billion had been approved.

Table II-2-11. Indonesia: Manufacturing production: selected products, 1965-1969[a]

Product	Unit	1965	1966	1967	1968	Monthly rate 1968	Monthly rate 1969[a]	Capacity Rated (monthly)	Capacity Utilization 1969 (%)
Textiles									
Fabric	(mln m)	456.0	250.0	225.0	316.5	—	n.a.[e]	—	—
Yarn	(000 bales)	77.6	46.0	93.1	135.3	—	n.a.[e]	—	—
Paper	(000 t)	11.2	10.8	8.9	11.2	0.93	1.25[b]	3.08	41
Oxygen	(000 m^3)	2,132.5	1,604.8	1,465.8	1,782.5	148.5	174.2	362.5	48
Carbon dioxide	(t)	620	473	349	361	30.1	40.8	91.7	45
Caustic soda	(t)	622	620	502	407	33.9	98.9	250	40
Urea	(000 t)[c]	43.2	42.8	42.9	44.5	3.7	6.5	8.3	78
Tyres									
Motor vehicle	(000 units)	226.1	221.1	232.4	240.2	20.0	29.6	50.9	58
Bicycle	(000 units)	n.a.	—	—	2,184.8	182.1	165.5	620	27
Cement	(000 t)	388.5	388.7	322.0	409.9	34.2	24.5	51.2	48
Glass	(000 t)	9.0	3.3	—	5.1	0.42	0.66[d]	1.20	55

Source: Department of Industry.
[a] Seven months, except as noted.
[b] Three months only for one mill starting production in April.
[c] Nitrogen content.
[d] Four months.
[e] Textile production for the whole of 1969 is reported to be 30 per cent above that of 1968. (President's Year-end Message).

Table II-2-12. Indonesia: Foreign investment project approvals, 1967-1969 (through August)

(by size of investment and sector)

Sector	All projects[a] No.	All projects[a] Investment (US$ million)	All projects[a] Share of total (%)	All projects[a] Mean size (US$ million)	Project by size of investment: US$2.5 million and over No.	US$2.5 million and over (US$ million)	US$ to 2.5 million No.	US$ to 2.5 million (US$ million)	Less than US$1 million No.	Less than US$1 million (US$ million)
Agriculture	8	13.1	1.9	1.6	2	8.2	3	3.7	3	1.2
Plantations	6	8.4	1.2	1.4	1	5.0	2	2.2	3	1.2
Other	2	4.7	0.7	2.4	1	3.2	1	1.5	—	—
Forestry	35	119.9	17.7	3.4	12	90.5	19	26.7	4	2.7
Fishing	6	8.5	1.3	1.4	—	—	6	8.5	—	—
Mining	6	387.2	57.0	64.5	6	387.2	—	—	—	—
Manufacturing	75	111.5	16.4	1.5	9	60.2	27	37.4	39	13.9
Communications[b]	23	36.3	5.3	1.6	7	25.6	7	8.8	9	1.8
Commerce	3	2.6	0.4	0.9	—	—	2	2.1	1	0.5
Total	156	679.1	100.0	4.4	36	571.7	64	87.2	56	20.1

Source: Foreign Investment Board.
[a] Excludes petroleum projects and banks.
[b] Includes transport, storage, public works, real estate, hotels, tourism.

Stabilization and new credits

Inflation had become endemic in Indonesia; continued price increases had brought about a state of expectations such that further rises were generally anticipated. Drastic deflationary measures adopted during the last two years have been effective in bringing down the rate of price increase to a tolerable level. Expectations have remained sensitive, nevertheless, and a rise in the price of a major commodity could set a new spiral in motion. At the end of 1967 and the early part of 1968, sharply rising prices of rice touched off a renewed spurt of inflation, spreading rapidly to other prices.[116] Again, in October 1969, a sharp rise in the price of rice threatened to turn rapidly into a general upward spiral of prices. An upturn similar to that of the previous year was avoided by the timely arrival of imported rice.

It is also possible that the sensitiveness of expectations had been reduced in the later period, preceded

[116] In some degree the effect is exaggerated by the heavy weight of rice and other foods in the only reasonably comprehensive price index available, the Djakarta cost-of-living index. Foodstuffs account for 63.4 per cent of the total weights, rice alone for 31.2 per cent. Thus an increase of 3 percentage points in the price of rice (*cet. par.*) raises the index by one point.

as it was by falling prices in the second quarter and only moderate rises in the third. In table II-2-13 an attempt is made to measure the inflation-proneness of the economy by relationships between money supply and price changes, in addition to direct measures of percentage changes in the two variables. The inflation coefficient is a marginal measure which suggests the propensity of prices to rise, in terms of the percentage increase in money supply. The behaviour of the coefficient over the last five years is indicative of the magnitude of the achievement in stabilization. In common with the usual seasonal patern, the quarterly data for 1968 and 1969 show the marked effect of the *patjeklik*, the off-season between major rice crops (roughly the last quarter and particularly the first quarter of the calendar year), and of the main rice harvest in the second quarter. It will be noted, however, that the inflation coefficient fell sharply in the last quarter of 1968.

Table II-2-13. Indonesia: Inflation indices, 1965-1969

Year		Real cash balances[a] (Sept. 1966 = 100)	Inflation coefficient[b] (Sept. 1966 = 100)	Percentage change in		
				Money supply[c]	Consumer prices[d]	
					Average	End-of-period
1965		152	1.99	231.5	318.8	596.2
1966		116	1.10	769.7	1,040.3	636.5
1967		124	1.22	175.4	158.2	112.1
1968		128	1.24	143.1	135.0	85.1
1969[e]		192	0.31	75.7	17.5	9.9
Quarterly						
1968	I	98	3.63	22.1	80.3	57.5
	II	130	0.10	36.7	3.6	2.2
	III	129	1.05	10.4	10.8	8.4
	IV	150	0.19	20.1	3.8	6.0
1969	I	158	0.57	13.6	7.8	6.1
	II	185	−0.23	13.3	−3.1	−6.1
	III	210	0.16	16.4	2.6	4.6
	IV[e]	213	0.73	6.2	4.5	5.4

Source: Bank Indonesia.

[a] Index of money supply deflated by Djakarta cost-of-living index. Annual figures are averages of quarterly data.

[b] Percentage changes in Djakarta cost-of-living index divided by percentage changes in money supply. Annual figures are averages of quarterly coefficients.

[c] Annual figures based on changes between averages of quarterly data. Quarterly figures are for the end of the quarter.

[d] Djakarta cost-of-living index, September 1966 = 100. Percentage changes based on annual and quarterly averages, and on end-of-period (monthly) figures.

[e] Preliminary.

The average measure, an index of money supply deflated by the price index, provides an index of real cash balances, which clearly reflects the changes achieved. In particular, the continued increase in this index through all four quarters of 1969 (fourth quarter preliminary), suggests a possible basis for significantly less sensitiveness in price expectations.

Having achieved a reasonable degree of stability, it is necessary to stimulate economic activity by providing the appropriate incentives and the credit to finance increased levels of production. Given a fair measure of stability and the special incentives for the absorption of liquidity in fixed and time deposits, it is likely that a greater degree of liquidity will be required than past experience would suggest.[117]

Because of the sensitiveness of price expectations, as perceived by policy-makers as well as the general public (in the monetized sector), the increase in the flow of credit has been sluggish. Table II-2-14, showing changes in the money supply and its components, provides a rough framework in this regard.

Under conditions of extreme inflation, the ability, of the banks to lend commercially depended almost entirely upon the provision of liquidity from the Central Bank, as the commercial banking system could not attract funds. By mid-1968, the rate of inflation had been reduced sufficiently to permit an active policy to attract deposits; in October, the Central Bank established commercial bank rates for time deposits of between 4 and 6 per cent per month on the basis of subsidies, as these rates exceeded bank lending rates. Both sets of rates were subsequently lowered as the price increases were kept at 2 per cent per month or less. The response to the availability of real rates of return on deposits is seen in the rapid increase in time and savings deposits.[118] Time deposits increased from Rp 1.9 billion at the inception of the new policy to Rp 33.5 billion by December 1969, an increase of 1,663 per cent over 14 months. (See also table II-2-14).

The next step was to re-channel the funds available in the system towards priority activities. Early in 1969, a scheme for the provision of medium-term investment credit was initiated at one per cent per month interest. Total credits of Rp 30 billion were to be made available to public and private sector projects during the fiscal year 1969/70. One third of the total was earmarked in the development budget, one half was to come from Bank Indonesia and the remainder from the banks' own resources. Applications for medium-term investment credits are being processed by Bank Indonesia and increasingly by the commercial banks according to sectoral specialization, on the basis of piorities determined jointly by the Planning Board and the Central Bank. Though no specific information is available, it is reported that

[117] A crude measure of cash balances in the expression $k = \frac{M}{PQ}$, where k is cash balances, P, price, Q, real product and M, money, shows a decrease in the index of k by about one fourth in 1965/66, a slight rise in 1966/67, a negligible fall in 1967/68 and a rise of approximately 50 per cent in 1968/69.

[118] From February 1969, a pilot project of savings certificates with lottery features was introduced at a limited number of banks as an additional incentive.

Table II-2-14. Indonesia: Money supply and its changes, 1967-1969 (June figures)

(in million rupiah)

	June 1967	June 1968	June 1969	Changes: Rupiah (million) June 1967–June 1968	Changes: Rupiah (million) June 1968–June 1969	Changes: Per cent June 1967–June 1968	Changes: Per cent June 1968–June 1969
Foreign assets (net)	−5,119	−6,419	−13,977	−1,300	−7,558[c]	(−)25.4	(−)117.7
Domestic: total (net)	38,934	99,636	141,944	60,702	42,308	155.9	42.5
Claims on Government (net)	26,694	44,322	40,492	17,628	−3,830	66.0	−8.6
Government entities[a]	—	17,614	28,487	17,614	10,873	—	61.7
Total public sector	26,694	61,936	68,979	35,242	7,043	132.0	11.0
Private sector	13,378	42,997	111,221	29,619	68,224	221.4	158.7
Quasi-money[b] (—)	1,138	5,297	38,256	4,159	32,959	365.5	622.2
Miscellaneous accounts (net) (—)	1,386	7,333	−18,861	5,947	−26,194	429.1	—
Money supply	32,492	85,884	146,828	53,455	60,944	164.3	71.0
Shares of net domestic credit (%)	100.0	100.0	100.0				
Private	31.4	37.8	51.4				
Government	68.6	44.5	28.5				
Government entities	—	17.7	20.1				

Source: Bank Indonesia.
[a] B.U.L., rice procurement agency.
[b] Time and savings deposits.
[c] Not strictly comparable; discontinuity in series.

progress has been slow as the process of checking applications has been more time-consuming than anticipated.[119]

Viewed in the aggregate, the expansion of bank credit in 1969 has not been impressive, though changes in its structure are perhaps as important as the total volume. Net domestic credits extended by the banking system (see table II-2-14) between June 1968 and June 1969 were smaller than during the preceding twelve-month period. Of the total, however, credits to the private sector increased substantially, while the amount going to the public sector declined. Classified according to purpose, bank credit extended for production and export activities increased between 1968 and 1969 (January to August). If it were possible to deflate these nominal figures by an appropriate price index, the recorded increases would be quite considerably reduced. Even in current-price terms, however, the modest increase in credit extended for production purposes reflects the intransigence of the problem of getting the economy moving, once relative stabilization has been achieved, without generating a new inflationary spiral.

Fiscal developments

A rapid rate of increase in the size of the government budget since 1966 is in part a reflection of continued inflation, but it is also an indication of the increasing ability of the Government to mobilize domestic resources through improved tax collection and of the increasing inflow of foreign aid. At current prices, government revenue rose from Rp 13,142 billion in 1966 to Rp 84,900 billion in 1967, to Rp 185,283 billion in 1968 and Rp 327,418 billion in 1969. Expenditure was Rp 29,433 billion in 1966, increasing to Rp 87,555 billion in 1967, Rp 185,283 billion in 1968 and Rp 327,418 billion in 1969. In real terms, it is estimated that revenue has risen by 19 per cent in 1968 and by 32 per cent in 1969. In previous years of rapid inflation, inadequate tax administration, coupled with unrealistically high tax rates, resulted in a virtual breakdown of the taxation system, and the laws dealing with direct taxation could not be enforced. The rapid improvement in tax collection and the widening of the tax base, rather than changes in tax rates, were responsible for the improved performance of the revenue collection machinery since 1966.

The rapid increase in revenue during 1969 is attributable to the increase in revenue from import taxes as well as the success of the tax collection measures. An incentive system provides bonuses to the tax directorates for collections in excess of targets. Though such an incentive system is proving effective under present conditions, its continued use may lead to administrative perversion in tax collection.

During the first half of the 1969/70 fiscal year, development expenditure fell short of budget estimates. In the first quarter only Rp 5.2 billion was spent, 28.6 per cent of the target. In the second quarter, actual expenditure was Rp 17.7 billion against the budget estimate of Rp 22.4 billion. Thus during the

[119] Loans totalling approximately Rp 13.8 billion had been made by the end of October 1969; see the President's year-end message.

first half year of the five-year plan, development expenditure amounted to little more than half what was intended. Nevertheless, this was 60 per cent higher than development expenditure during the same period of 1968.

The shortfall occurred in all sectors. The Ministry of Public Works and Power spent 70 per cent of the amount allocated while the Ministry of Education spent less than one fifth of its development budget. The Department of Agriculture spent less than two fifths of its allocation, although agriculture is the key sector of emphasis in the plan.[120]

One reason for the expenditure lag is that, after two years of disciplined "stabilization" budgets, government departments were not prepared with operational plans for the utilization of their budget allocations. New rules have been introduced whereby each Ministry is authorized to draw on its development budget only after submitting project proposals for approval by the Director of the Planning Office and the Minister of Finance. The experience of desultory plan implementation in the past has not been conducive to the creation of a stock of project plans ready for implementation. Acceleration of development expenditure may be anticipated when the new procedures become routine. The probability that expenditure will be bunched towards the end of the year may pose a problem of budget management.

The "routine" budget has been kept well within the amounts originally budgetted except for a bonus of two months' salary for civil servants declared at the end of 1969. Increased revenue and the shortfall in development expenditure have permitted the payment of Rp 8 billion as a much-needed supplement to government salaries.

On 5 January 1970, the Government submitted a draft state budget to Parliament. The estimates have been revised upwards from those in the five-year plan, a change made necessary by large anticipated outlays for general elections, a 50 per cent increase in basic salaries for civil servants, increased subsidies to the regions and a general rise in the outlay on commodities, mainly rice for civil servants. Like its predecessor, the 1970/71 budget reflects the priorities of the five-year development plan, with its emphasis on improving food production through irrigation, extension and marketing facilities.

Domestic revenue of Rp 320.5 billion will comprise Rp 117.1 billion from direct taxes, Rp 200.8 billion from indirect taxes and Rp 2.6 billion in non-tax revenue. Although lower tax rates have been decreed, payment of overdue taxes and the revival of economic activities are expected to contribute to the increase in tax revenue. Among indirect taxes, increases in excise duties on gasoline and kerosene are expected to increase yields from Rp 14.1 billion in 1969/70 to Rp 33.6 billion in 1970/71. Commodity aid counterpart funds[121] will increase by 24 per cent and project aid funds by 26 per cent.

External trade and aid

Preliminary figures for 1969 indicate an increase in total export earnings by nearly 16 per cent. Petroleum exports rose by 27 per cent; "overprice" earnings by 17 per cent. Government-stipulated check prices for customs and exchange control purposes are announced monthly for traditional commodity exports (A-list) and new exports (B-list), the latter determined by the Exporters' Association. Set at levels below world market prices, the check price determines the amount of foreign exchange which must be sold to the Government (after deduction of export taxes)[122] at the Bonus Export (B.E.) exchange rate. Overprice earnings are the difference between actual foreign exchange receipts and the amount determined at the check prices. Exporters are permitted to retain their overprice earnings in foreign currencies or to sell them at the D.P. (*Devisa Pelengkap*) or free-market rate. From a level of Rp 414 to one United States dollar in December 1968, the D.P. rate declined to Rp 380 in the following March and remained at that level throughout 1969. The B.E. rate, also influenced by government intervention, was kept at Rp 326 to one United States dollar during 1969. Increased confidence in the rupiah facilitated government efforts to stabilize these rates.

The D.P. rate is maintained at a level higher than the B.E. rate; the use of B.E. foreign exchange is limited to imports of a limited range of essential consumer and capital goods specified by the Department of Trade. B.E. foreign exchange is also used for the imports of goods provided under foreign aid programmes. It is permissible to use D.P. foreign exchange for any imports not on the banned list, or for transfers abroad.

Low check prices are intended to encourage exports. The increase in overprice earnings in 1969 comes in part from the expansion of new exports which, with relatively lower check prices, command a larger percentage of overprice earnings, and in part from rising rubber prices. When export prices are rising, the monthly determination of check prices permits an adjustment lag with consequent gains in overprice receipts. When prices move downwards, however, a downward adjustment is made in check prices. The cumbersome overprice system was

[120] Investment in the agricultural sector falls under different departments; irrigation works, for example, are included under the Department of Public Works.

[121] Aid commodities are sold on the B.E. exchange market; the proceeds become counterpart funds in the Government budget.

[122] Export taxes are based on check-price values and are higher for traditional (A-list) commodities.

established prior to the liberalization of trade, when exporters received only token rupiah receipts based on artificially low foreign exchange rates and depended heavily on overprice receipts. As the two exchange rates converge, the overprice system has outlived its usefulness; other incentives to exports, such as reduced export taxes, are preferable, and a move has been made in this direction with the reduction of export taxes on A-list commodities from 25 per cent to 15 per cent. B-list commodities are taxed at ten per cent of check-price values.

During the first three quarters of 1969, exports of A-list commodities were 6 per cent above the 1968 annual rate. Earnings on smallholder rubber, the major portion of Indonesia's rubber exports, rose by 34 per cent in response to higher prices.[123] Tin export earnings rose by 5.3 per cent during January to November compared with 1968. Were it not for export quotas, tin exports might well have been greater. Exports of B-list (non-traditional) commodities, including copra waste, hemp, hides, and nutmeg, are officially reported to have risen by only 2 per cent, a figure which excludes overprice receipts.[124]

Total imports are estimated to have increased by 14 per cent, yielding a surplus of US$92 million on merchandise account. The composition of imports shows a distinct shift in favour of investment goods. This was effected in spite of emergency rice imports during the second half of the year and in part reflects accelerated aid imports as the development programme gets underway.

Foreign aid

In 1969, total aid pledged to Indonesia amounted to US$554.1 billion, US$319.1 million in programme aid and US$235 million in project aid; in 1968 programme and project aid commitments were US$293.5 and US$69.2 millions respectively. Actual disbursements in 1969 are estimated at US$274 million of programme aid and US$75.6 million of project aid. Protracted negotiations for the release of committed funds, especially in the first half of 1969, contributed to the shortfall in project aid disbursements.

In December 1969, a total of US$600 million was agreed to by the IGGI meeting in Paris for the period January 1970 through March 1971. The total includes US$260 million in project aid, US$200 million in programme aid on the B.E. market, and US$140 million in food aid.

[123] Increased frequency of tapping raises smallholder production during periods of rising prices.

[124] Detailed commodity export data from the Central Bank appear later than the aggregates from the Department of Trade used in table II-2-15.

Table II-2-15. Indonesia: Foreign trade, 1968 and 1969

(in million US dollars)

	1968	*1969*	*Percentage increase*
Exports:			
Total	876	1,015	15.8
Petroleum	302	384	27.8
Non-petroleum	574	631	9.9
of which: overprice[a]	120	140	16.6
Imports:[b]			
Total	804	923	14.8
General	720	820	13.9
Parcel post	84	103	22.6
Composition of imports	(*Percentages*)		
Consumption goods	46	28	
Raw materials	39	42	
Capital goods	14	22	
Other	1	8	
Total	100	100	

Source: Department of Trade.
[a] See explanation in text.
[b] November and December 1969 estimated.

Iran

Nineteen sixty nine marked the second year of the fourth national development plan of Iran (1968-1972) in an exhilarating development climate. During the preceding plan period, output grew at an annual rate of 8.6 per cent, well above the target rate of 6 per cent, and the first year (1968/69) of the fourth plan period witnessed a growth rate of 10.3 per cent, setting the pace for surpassing, in all likelihood, the target of an annual 9.4 per cent that was fixed for the plan period.

Gross National Product at current prices in the year 1968/69 is estimated at 618 billion rials (US$8,240 million). With a population of about 27 milion, the per capita income (GNP) in Iran is currently of the order of 22,750 rials (US$303). Over the decade, per capita income increased at an annual rate of 4 per cent.

Urban population accounts for 39 per cent of the total population. In recent years the average annual increase of population in urban areas has been about 4.4 per cent as against 1.7 per cent in rural areas. About 55 per cent of the population is under 20 years of age and, with the relative decline in the active age group 20-64 and the rapidly expanding educational facilities, the ratio of active population to total population has declined over the decade from 32 per cent to 20 per cent. The total labour force is estimated at 7.9 million, with 7 million in employment.

The impressive rate of growth of national income has been accompanied by a substantial expansion of the middle class in the urban centres. Also the rate

of increase in urban incomes has been much faster than that of the rural areas. In 1967/68, private consumption expenditure in the urban areas accounting for a population of 10.4 million was estimated at 182 billion rials as against 128 billion rials in the rural areas with a population of 16.3 million (urban per capita income, US$233; rural, US$105), and in 1968/69, urban per capital consumption is reported to have increased by 5.2 per cent as against 2.1 per cent in rural areas.

Gross Domestic Product of Iran for the year 1968/69 has been estimated at 546.5 billion rials (factor cost, 1959 prices). Agriculture together with livestock accounted for 21 per cent of GDP, petroleum production and distribution for 25 per cent, and industries and mines for 10 per cent.

In the early sixties when the third plan was launched, the Iranian economy was influenced by the after-effects of recession and the implementation of the stabilization programme of 1961. As a result, the early years of the plan period were marked by general hesitancy on the part of private enterprise. However, the increasing rate of public investment revived confidence, leading to fuller utilization of capacities and additional investment on the part of the private sector. Rapid increase in oil revenues from 27.7 billion rials in 1963/64 to 54 billion rials in 1967/68 and larger allocations of these revenues to investment in the public sector have been important in this process, accounting for a steeper rate of growth in the later years of he plan period. The implied aggregate capital-output ratio for the third plan period was 2.2: 1, a ratio rather low for a developing country.

Gross domestic fixed capital formation over the third plan period has been, on an average, 18.3 per cent of GNP, with the contributions of the Government and the private sector almost equal. The annual avearge rate of increase has been 17.8 per cent. The most striking feature is the accelerated rate of government investment in the later years of the plan period.

Gross national savings rose from 14.5 per cent of GNP in 1962/63 to 17.5 per cent in 1968/69, while gross investment rose from 12.7 per cent of GNP in 1962/63 to 21.3 per cent in 1968/69. The Iranian economy began to witness a saving-investment gap in 1967/68 that is expected to widen in the coming years.

Agriculture

Notwithstanding the rapid urbanization that has been the notable feaure of the decade in Iran, agriculture continues to be the source of livelihood for the largest number of people, with 49 per cent of the total labour force engaged in this activity.

Whereas arable land accounts for about 12 per cent of Iran's total land area, the area under cultivation constitutes only about 4 per cent (about 7 million ha). Irrigation facilities extend over 3 million hectares. Wheat and barley are the principal crops, accounting for 70 per cent of the total cultivated area. However, more than two thirds of areas under wheat and barley are un-irrigated. Rice, cotton, sugar beets, oilseeds, tea and tobacco are other main crops. There has been a rapid expansion of fruit-tree plantations (largely as a sequence to land reform), with an estimated 12 million trees planted over the last five years. About 360,000 ha are reported to be under orchards. Grapes and pistachios are the principal fruits and nuts.

Livestock production constitutes 35-40 per cent of total agricultural output, with wide fluctuations due to weather. Sheep and goats are the most important animals, numbering about 43 million out of an estimated 48 million of total livestock, cattle largely accounting for the rest. Poultry farming has been rapidly expanding as a commercial enterprise. Fishing has remained negligible (with an estimated catch of 21,000 tons in 1966/67) accounting for less than 0.2 per cent of GNP. (Under an agreement with the USSR, caviar production is limited to 200 tons per annum.) With the extended coast line along the Persian Gulf, Caspian Sea and Arabian Sea, the potential for the exploitation of fisheries is great.

Over the third plan period the annual growth rate of agricultural production averaged 4.6 per cent, with very low (and negative) rates in the earlier years and sizable expansion of crop production in the later years. Livestock has shown little over-all growth.

There has been a notable expansion in wheat and barley production, largely as a result of increased areas under cultivation, although in recent years improvements in inputs and agricultural practices have begun to play an important role. The uneven annual rates of growth only reflect the magnitude of rain-fed cultivation and the weather factor. Whereas some 145,000 ha of additional land was brought under new irrigation, and irrigation facilities on some 240,000 ha were improved during the third plan period, the policy of the Government has been to encourage the use of these lands for high-income yielding commercial crops such as sugar beet and cotton. The expansion of sugar beet production has been striking.

When completed, the major water development projects will benefit irrigation. The present additions to irrigated areas have been largely the result of ground water exploitation and improvements in traditional irrigation systems. The largest share of expenditure on agricultural development has been used for institutional reforms, rural infrastructure, and the establishment of credit facilities. Although direct support to agricultural and livestock production has been marginal in the third plan period, Iran has

shown an exemplary sense of priorities in its pattern of development expenditure by concentrating on institutional aspects prior to strengthening governmental production services.

During the decade, Iran has successfully implemented a radical land reform programme. The country is reported to have some fifty thousand villages; on the eve of the land reform, it was believed that some two hundred families owned upwards of one hundred villages each, together accounting for the ownership of nearly half the total number of villages. Another ten thousand villages were said to be owned by families each of whom owned more than five villages but less than one hundred. The rest were believed to be owned by landlords exercising ownership of one to five villages each.

The Land Reform Law came into effect in early 1962, and later, in the autumn of the same year, a sweeping programme of reforms that included five other items in addition to land distribution was overwhelmingly endorsed by a popular referendum. The six items constituting the "white revolution" were (1) land reform, (2) abolition of traditional sharecropping arrangements and the substitution of cash wage contracts wherever peasants worked for landowners, (3) nationalization of forest lands, (4) a massive rural literacy campaign with a teaching corps of some 50,000 youths, (5) a uniform nation-wide profit-sharing scheme under which employers were required to distribute 20 per cent of their annual profits to their employees, and (6) revised electoral laws to ensure free elections.

The land reform has now been virtually completed. In the first phase, ownership by any one person was reduced to not more than one village (or its equivalent in the aggregate), with compensation by the State for the acquired land at 100-180 times the tax paid by the landlords, to be paid off in ten years at 6 per cent interest. The second phase began in early 1965 and concerned the improvement of the tenancy arrangements of an estimated million or more peasant families that remained on the land as tenants.

With practically all of Iran's 50,000 villages now brought under land reform, and the legal status of some three million farmers (whose households account for about 14 million persons) clarified, the spectacular transformation of the basic economic and social structure of the rural areas has established the preconditions for a substantial improvement in Iran's agricultural productivity. The reform has provided security and a sense of ownership to the mass of previously landless farmers and encouraged the former landowners to cultivate their reduced holdings more intensively with modern farming techniques.

The Land Reform Law stipulated that agricultural loans are to be granted only to farmers who are members of co-operatives. Under the direction of the Central Organization of Rural Co-operatives, there has been a commendable expansion of rural co-operatives with membership rising from 571,000 in 1963/64 to 1,260,000 in 1968/69 and the total amount of loans granted rising from 0.5 billion rials to 5 billion rials. In addition, the Agricultural Bank of Iran makes loans directly to farmers, though the main beneficiaries in recent years have been relatively large farmers. Further, with a view to stimulating modern commercial farming, the Government of Iran established an Agricultural Development Fund in 1968 to assist private investment in large-scale commercial farming and agro-business enterprises, particularly in areas benefiting from new irrigation projects. The IBRD has announced a loan of $6.5 million to the Agricultural Development Fund to cover the foreign exchange component of programmes for the production of oil seeds, dairy products, meat and citrus fruits.

This rapid growth of institutional credit for agriculture in recent years currently accounts for a quarter of the total credit needs of farmers. The rest is being supplied partly by commercial banks, but principally by non-institutional sources, at rather high rates of interest. With the substantial growth in the class of small farmers after the land reform, an accelerated expansion of institutional credit will be essential for rapid improvement in agricultural production.

Iran has adopted a pragmatic policy towards alternate forms of agricultural enterprise. In addition to assisting individual and co-operative forms of peasant farming and encouraging large-sized commercial farms, the Ministry of Land Reform and Rural Co-operatives is setting up joint-stock farming corporations with small landowners as shareholders, if 51 per cent or more of farmers in an area so desire. Results of this experiment should afford valuable lessons for other developing countries.

An important element in accelerating the agricultural and rural development of Iran has been the initiation of an integrated regional development approach. The selection of regions is principally based on the criteria of high potential for development, and the regions chosen are those that are likely to benefit from major irrigation projects and those that have sound ground water potential.

However, current Government assistance to agriculture is channelled through several departments and agencies which often function on independent and parallel lines. To achieve rapid agricultural progress, the major task appears to be to institute an integrated approach to governmental assistance for

agricultural development, with effective co-ordination and streamlining of the activities of the constituent units.

The current pattern of land and water use rightly places stress on the use of new irrigated lands for cultivation of high-value industrial crops (principally sugar beet, oil seeds and cotton) and fodder, and continued reliance on dry farming for the greater part of wheat production. Against the background of sharp drops in production of wheat in 1963 and 1964 due to adverse weather conditions, the improvements in wheat production over the past three years have been encouraging with consecutive annual increases at the rates of 6.3 per cent, 19.1 per cent and 15.8 per cent. In addition to favourable weather, this has been due to the progressive extension of area under wheat cultivation and the greater use of tractors. The Government has yet to make a beginning in production support for wheat through the "package programme" (extension, improved seeds, fertilizers and credit) which is being made available at present for cotton and sugar beet. With a faster pace of mechanization and extended support through the package programme, Iran could remain self-sufficient in wheat for its expanding population, relying essentially on rain-fed cultivation for the major part of production. In 1968, Iran became a modest net exporter of wheat. However, in view of the frequency of changes in weather, the development of adequate storage facilities and the accumulation of stock for the stabilization of supplies and prices appear to be of greater urgency.

Rapid urbanization, a faster rise in urban per capita income, and the expanding middle class are already bringing about a perceptible shift in the pattern of food consumption, creating larger demands for high-protein foods, fats, vegetables and fruit.[125] Iran has turned from being a net exporter of livestock products (food) into a net importer since 1965, with the figure of net imports surpassing US$8 million in 1968. Imports of vegetable oils rose from US$7 million in 1962 to US$23 million in 1968 and, although production of beet sugar has been rising (from 332,000 tons in 1966 to 438,000 tons in 1968), Iran continues to import sugar in sizable quantities. Cotton exports have been averaging around 20 per cent of total non-petroleum exports, and exports of cotton textiles began in 1966 and reached a level of US$3.9 million in 1968.

The trends in the pattern of domestic food consumption are likely to assert themselves increasingly in the coming years and the exports of cotton and cotton textiles hold out attractive prospects. In the light of these considerations, the soundness of the choice adopted for the use of the new irrigated lands for the fourth plan period is evident.

[125] Annual per capita meat consumption is currently placed at 22 kg in Tehran, 17 kg in other urban centres, and 14 kg in the rural areas.

Livestock production, however, is the weakest element of Iranian agriculture, although it accounts for 40 per cent of production in the agricultural sector. Domestic production of meat for the year 1966/67 was estimated at 220,000 tons of mutton and goat, 80,600 tons of beef and 23,000 tons of poultry, making a total of about 336,000 tons, including minor items. The preponderance of mutton is striking, but sheep-raising consists of migratory flocks that graze on the traditional range-lands of tribal people. Cattle-farming for augmenting beef production and enlarging the supplies of dairy products (the most important item in terms of output and currently estimated at 1.6 million tons) appears to offer exceptional advantages. The proposed integrated regional development projects located around the dam sites and the envisaged expansion of areas under fodder offer possibilities for cattle-ranching on modern commercial lines, particularly in view of the expansive range lands available in the adjacent areas. As the rising urban demands for meat currently necessitate imports in increasing quantities, measures towards stimulating large-sized private enterprises (or co-operatives) to enter this line of production should prove rewarding. Successful development of the cattle industry could provide excellent opportunities for exploiting the markets for meat and dairy products in the countries across the Persian Gulf which are presently importing from distant sources. Attractive possibilities in Afghanistan for sheep raising and mutton production in the areas adjacent to Iran could make imports of mutton economically feasible.

Iran's endowment of industrial resources and the industrial projects in progress place the country in an extremely fortunate position to provide key agricultural inputs: fertilizers and agricultural machinery and implements.

The national agricultural extension service has about 600 technicians, reinforced by 1,200 youths who are supplied by the Army Development Corps on fourteen-month assignments. These young men with high school or university backgrounds receive four months of training in basic agriculture before being assigned to live and work in selected villages. The system has been most effective because of its motivation and discipline, better organization, and concentration of workers (one per village). However, since there are more than fifty thousand villages in the country, the rapid spread of improved agricultural practices demands accelerated efforts towards enlarging the number of trained extension personnel.

With the realization of the basic institutional reforms, the creation of facilities for agro-industrial linkages, and the initiation of several organizational measures, Iran has beyond doubt set the stage for sound agricultural development; the target rate of 5 per cent annual growth in agricultural output over

the fourth plan period appears feasible. The propagation effects of agricultural development are likely to be substantial on industry and all-round rural development.

Industry

The recession of the early sixties dampened private investment, but, with the revival of confidence since 1963/64, the pace of private industrial growth has been rapid. The annual growth rate of industrial production over the third plan period was 11.3 per cent, and the period was marked by the diversification of private industrial growth with the entry of several light engineering and assembly industries, especially in durable consumer goods.

The expansion of the private industrial sector has been to no small extent due to positive government support. Long-term credit and equity participation of the Plan Organization through industrial banks to private industry accounted for a third of the plan outlays for industries in the third plan period.

The latter part of the third plan period marked the beginnings of laying a strong foundation in the form of basic industries in the public sector with the long-term objective to achieving massive industrial development.

The most important project is the erection of a steel mill at Espahan, to be completed in 1970. Its initial capacity of 60,000 tons will be increased to 1.2 million tons by stages. This will be followed by the installation of a heavy metallurgical plant of 30,000 tons capacity. An aluminium plant with a capacity of 50,000 tons is being erected in Khuzestan, which will utilize the power generated from the Dez dam to process imported alumina (awaiting confirmation of the suitability of bauxite deposits found in the country). A machine tool factory with 10,000 tons capacity is nearing completion at Tabriz; and a plant for assembling 5,000 tractors annually is being set up at the same location, with a programme of manufacturing components by stages. A 1,200 km gas trunk-pipeline is being constructed to supply gas to the USSR. Under a 15-year agreement beginning in 1970, six billion cubic metres of gas will be supplied annually during the first six years and 15 billion cubic metres per year thereafter.

The three major centres of the petrochemical industries (Bandar Shapur for nitrogenous and phosphatic fertilizers, Abadan for PVC, detergents, etc., and Karag for sulphur and liquefied gas) are part of a massive effort. Production capacities are designed for substantial exports in addition to domestic demands. Further diversification (manufacturing of synthetic rubber, pesticides, etc.) is envisaged over the fourth plan period. Long-term agreements are being drawn up relating to export; for example, the recent agreement with India provides for the export of one million tons of liquid ammonia and $55 million worth of phosphoric acid over a period of seven years beginning in 1972, matched by imports from India of some 500 rail wagons and other items.

Prospecting for copper deposits has proved highly promising, and production of cathedic copper at an annual rate of not less than 15,000 tons is expected towards the end of the fourth plan period.

The Government of Iran has envisaged a sizable expansion of the private industrial sector, with the accent on a wide range of intermediate manufactures towards progressive replacement of imports. The range is expected to widen with the entry of the basic industries such as steel and aluminium into production.

The total investment in industrial and mining development envisaged over the fourth plan period is of the order of 213 billion rials (three times that of the third plan period), with 92.7 billion rials in the public sector and 120.3 billion in the private sector. Industry and mining account for 25 per cent of the fourth plan total investment outlay. Metallurgical industries and petro-chemicals together absorb about 70 per cent of public industrial investment.

Industrial and mining production (valued at 1965/66 prices) is expected to rise from a level of 70 billion rials in 1967/68 to 130 billion rials in 1972/73, averaging an annual growth rate of 12.7 per cent. The share of value added by industry and mining to GNP is expected to rise from 14.1 per cent to 17.3 per cent.

Fiscal year 1968/69 witnessed an increase of 13.9 per cent in industrial and mining production over the preceding year and the rates of growth were particularly striking in the newly established lines of private enterprise activity (machinery and motor vehicles, 69.3 per cent; chemicals, 35.6 per cent; metallurgy, 22.4 per cent; rubber products, 20.4 per cent). Substantial contribution to industrial output is expected from steel and petro-chemicals in the early part of the fourth plan period, but their production is likely to level off for some time. However, rising consumer incomes, especially in the urban areas, are likely to account for increasing consumer demands, especially for durables. These prospects, together with the government policy of encouraging the manufacture of intermediate and capital goods, should warrant a significant rate of expansion of private industrial production. Iran is fortunately placed in respect of investment finance, with facilities for short and medium-term external borrowing to meet additional requirements over short periods. Realization of the

target average annual growth rate of 13 per cent in industrial production over the fourth plan period should prove feasible.

However, as in the preceding plan period, lags and shortfalls are likely to manifest themselves in certain major public sector industries (especially petrochemicals) that are highly diverse and in which foreign supplies of equipment and technical collaboration play a decisive role. On the other hand, market profitability and the dynamism of private enterprise are likely to account for the emergence of manufactures not included in the plan.

Positive governmental measures to protect and assist domestic private enterprise have played a significant role in the growth of Iranian private industrial enterprise. Import taxation is substantial. In addition to customs duties, most imports are subject to *ad valorem* commercial taxes at rates ranging from 50 to 80 per cent. A system of registration fees and advance deposits adds further to the costs of importation. Government authorization of new investment is enforced with a view to regulating the size of domestic competition and quantitative measures prohibit a number of specific goods in which domestic production capacities are deemed to be adequate to meet local demand.

Whereas these measures are having beneficial effects on the growth of domestic industrial enterprises, the well-known problems of nascent industries enjoying protection are becoming increasingly manifest. Ex-factory prices of several import-substitute manufactures are well above international prices; especially the industries principally engaged in assembling the final product are characterized by high costs of producting, with heavy import dependence for components and intermediates and relatively low capacity utilization. The domestic market potenial for industrial consumer goods is good if cost reductions can be achieved and is expected to become increasingly attractive with the expansion of rural incomes. Moreover, with the basic industries, such as steel, aluminium, machine-making and petrochemicals, expected to enter into production soon, the country enjoys to a large extent the prerequisites for initiating the manufacture of intermediates and components. The vital element in the private sector industrial programming of Iran, in the immediate future, appears to lie in effecting improvements in the productive efficiency and fuller utilization of existing units, and in progressively building up facilities for intermediate manufactures.

Improvements in industrial production realized principally for the full exploitation of the expanding domestic markets would place Iran in a favourable position for gaining competitive capacity for its exports of several industrial manufactures to adjacent countries, especially those across the Persian Gulf. Iran enjoys an advantage in terms of distance in relation to the present suppliers of industrial goods to these countries. The country has already made an encouraging beginning in automobile exports to Afghanistan.

Petroleum

The petroleum industry is a key factor in the Iranian economy, occupying a major position as contributor to GDP, earner of foreign exchange and source of government revenue. Value added in the petroleum sector constitutes one quarter of GDP. The sector accounts for about three quarters of the total export earnings and for one half of government current revenue.

Proven petroleum reserves are currently placed at 40 billion barrels; Iran maintains second position in Middle East oil production (and fifth in the world). Over the third plan period, the sector expanded at an annual rate of 13.4 per cent, with the net production of crude oil in 1967 reaching the figure of 130 million metric tons. The fourth plan has envisaged an annual rate of expansion of the oil sector of 15.3 per cent over the period 1968-1973. However, in 1968, the first year of the plan period, the rate of increase over the preceding year was only 11.5 per cent, with net production of crude oil amounting to 142 million metric tons.

The rate of expansion of oil production and trends in crude oil prices in the coming years are crucial elements in deciding the pace of investment financing over the fourth plan period in Iran. The fourth plan has envisaged a rise in oil export earnings from $1 billion in 1968/69 to $1.8 billion in 1972/73 at an annual rate of 17.1 per cent, making a total of $7 billion over the plan period. The Government's revenue from oil is expected to rise from $0.9 billion in 1968/69 to $1.7 billion in 1972/73, at an annual rate of 18.4 per cent, for a total of $6.5 billion over the period. Based on these expectations, the fourth plan has visualized a total development budget of 480 billion rials ($6.4 billion) of which 385 billion rials (US$5.1 billion) will be financed by oil revenue.

Value added by the petroleum sector increased by 11.5 per cent in 1968/69, as against the fourth plan target annual rate of 15.3 per cent; the increase in net production of crude oil was only 10 per cent. Currently, the Consortium members account for 95 per cent of Iranian oil production, and the fourth plan is based on a 15.9 per cent increase in oil revenue from the Consortium. It is evident that although adjustments in external borrowing could offset temporary shortfalls, the size of development spending will largely depend on the fulfilment of the expectations regarding oil revenue.

A commendable feature in Iran's oil operations has been the commencement of participation in the downstream activities abroad. Following an agreement signed with the Indian Government, a refinery came into operation at Madras early in 1969, with Iranian capital participation and supplies of crude oil of 42 million tons over the agreement period.

Money and prices

Price stability has been pursued with great care in view of its impact on the balance of payments and the real income of a large part of the population. Moreover, as a large number of industries are of relatively recent origin, the pressures of price rises on unit wages would be difficult for the industries to absorb. In fact, prices remained relatively stable over the third plan period, with an increase of 6 per cent and 8 per cent between 1962 and 1967 in the wholesale price and cost-of-living indexes respectively. Rapid expansion of private credit towards the end of 1967 and early 1968, together with the expansionary effects of public spending, shortages in some consumer goods, and wage rises in some industries, characterized the inflationary elements in 1968/69 which were offset to a large extent by increases in imports and in industrial and agricultural output. The expansion of co-operatives and elimination of middlemen have helped to some extent in narrowing the price mark-ups. The cost-of-living index that had risen by 0.8 per cent in 1967/68 witnessed a further rise of 1.5 per cent in 1968/69; corresponding rises of the wholesale price index were lower at 0.5 and 1.0. Although the flour, bread and rice index declined consecutively owing to larger production, the food index showed a rise of 0.5 per cent in 1967/68 and 1.0 per cent in 1968/69, the principal reason being rises of 6.2 per cent and 5.5 per cent in the price index of meat, poultry and fish over the corresponding years. This increase together with the fact that the price indexes of housing, house furnishings, and medical care showed distinct rises over the period, reflects the upward movement in Iranian living costs.

The sustained, rapid growth of the Iranian economy continues to have an inflationary impact and appropriate counter-measures are needed. In the first quarter of the fiscal year 1969/70, the cost-of-living index rose by 3.4 per cent over the corresponding quarter of 1968/69. Foreign exchange reserves dropped from $112 million at the end of March 1969 to $90 million at the end of July, the lowest figure since October 1968. In response to this, the Central Bank of Iran raised the official discount rate from 7 to 8 per cent early in August 1969.

Monetary expansion has kept pace with GNP over the last few years. Total banking system assets increased by 112 per cent between 1963/64 and 1968/69. Credits to the public sector (especially the plan organization) expanded at an annual rate of 21 per cent in the third plan period, and by 23.6 per cent in 1968/69. Expansion of credit to the private sector was at a slower rate of 18.2 per cent and 17.5 per cent for the corresponding periods. The successive rises in interest rates have induced an impressive expansion of time and saving deposits at the annual rate of 19.1 per cent over the third plan period and 20.1 per cent in 1968/69.

The decline in net foreign assets since 1965/66 has been due to the increase in imports of goods and services in excess of foreign exchange receipts including loans accruing to the economy. As a reaction to the inflationary tendencies of late 1967 and early 1968, the Central Bank of Iran resorted to a series of measures aimed at reducing the inflationary pressures. The legal reserve requirement on demand deposits was raised from 15 to 18 per cent, and on savings and time deposits from 10 to 12 per cent in November 1968, and the discount rate was increased from 5 to 7 per cent, followed by a further rise to 8 per cent in August 1969. The rate of interest on time and savings deposits moved up by one per cent. The net effect of these policies has been the attraction of funds into time and savings deposits, and the slowing down of the expansion of net credit to the private sector. Over the past two years, the policy of the Central Bank has been significantly expansionary in respect of the public sector.

Public finance

The rapidly expanding role of government expenditure in the Iranian economy is striking, with a rise in its ratio to GNP from 18 per cent in 1963/64 to 28.2 per cent in 1968/69. Development outlays grew at an impressive annual rate of 35.3 per cent over the third plan period, with the growth of non-development expenditure at a relatively modest 10.8 per cent. However, 1968/69, the first year of the fourth plan witnessed a slackening of the tempo of development expenditure with only a 19.7 per cent increase over the preceding year accompanied by a pronounced increase in non-development expenditure at the rate of 30 per cent. Enlarged defence requirements appear to be mainly responsible for the steep rise in current expenditure. Current budget surpluses have been declining over the past two years. Although the development expenditure of 1968/69 was at a slower pace of 74.8 billion, the Plan Organization's disbursements over the year amounted to 90.1 billion, with non-development disbursements beginning to assert themselves and foreign and internal debt servicing alone reaching the figure of 15.1 billion. With oil revenue falling short of expectations, the development budget showed a deficit of 41.8 billion.

The refreshing feature of 1968/69 has been the significant improvement in receipts through direct taxation, showing a rise of 39.4 per cent over the preceding year. This has been principally due to the rise in income tax receipts, consequent to the law passed in 1967 transforming the income tax into a global progressive tax on all personal incomes, and the more efficient administration of the tax system. However, direct taxation receipts are still at a very low ratio to GNP at 2.2 per cent, and might be expected to show improvement in the coming years. Customs duties have so far been the largest single source outside oil revenue, but the declining share of consumer goods in imports, and the relief from import duties on intermediate and capital goods for domestic industry, are likely to diminish gradually the importance of customs as a source of revenue. With purchasing power increasingly directed to demands for domestic industrial products, greater reliance on sales taxation with graduated rates for non-essential goods appears attractive.

Oil revenue has accounted for about half the total current revenue in recent years. The total amount of government current and development expenditure envisaged over the fourth plan period is 1,060 billion rials, towards which oil revenue is expected to contribute 487 billion, other current revenue combined 362 billion (including foreign trade earnings of the Government), foreign loans 150 billion, and borrowing from the banking system 61 billion. Thus oil revenue is expected to constitute 57 per cent of the current revenue (a figure higher than in recent years), based on the expectation of a 18.4 annual rate of increase in oil revenue. The first year of the fourth plan (1968/69) witnessed only a 14.4 per cent increase over the preceding year. The Central Bank of Iran observes:

> It must be emphasized that successful implementation of the Fourth Development Plan is heavily dependent upon the realization of expected revenue from oil and foreign loans. If the trend of change in these sources of supply of capital continues to be on the lines which prevailed in 1347 (1968/69), that is to say, revenues falling short of expectations, the achievement of goals determined under the Fourth Development Plan will be considerably more difficult. Hence the enormous importance which should be attached to the possibility of increasing revenue from oil and the attraction of foreign capital and loans within the context of the Fourth Development Plan.[126]

Foreign trade and balance of payments

In recent years, foreign exchange receipts from the oil sector have accounted for more than 80 per cent of total earnings through export of goods. In 1968/69, the oil sector brought in $958.5 million, and non-oil goods, $208.1 million. However non-oil exports have shown an annual growth rate of 19.5 per cent over the past six years. Hand-woven woollen carpets, cotton, fresh and dried fruit, and hides and skins together account for about two thirds of total earnings; and prospects for higher rates of exports, especially of woollen carpets and cotton, appear bright. Further, since 1967, Iran has begun to export a few industrial consumer goods and, over the past two years, exports of vegetable oils, textiles, and soaps and detergents have shown promising rates of expansion.

Major elements in diversification and substantial augmentation of exchange earnings are however expected from 1971 onwards, with the installation of an oil pipeline to the USSR and the completion of petro-chemical and aluminium projects. By the end of the fourth plan period, in 1972, earnings through export of gas are placed at about $50 million, and from petrol-chemicals and aluminium at $280 million. Thus, earnings from these items are expected to surpass the total earnings of traditional non-oil goods.

Imports have shown an annual growth rate of about 18 per cent over the past six years, and their total value stood at $1,523 million in 1968/69. The most notable feature is the shift in the structure of imports, with the share of consumer goods falling from 24 per cent in 1963/64 to 11 per cent in 1968/69; the share of intermediate goods moving up from 56 per cent to 62 per cent and that of capital goods from 20 per cent to 27 per cent. The most impressive rise has been in the import of intermediate goods, from $285 million in 1963/64 to $857 in 1968/69. This trend should continue until the time when the country's basic indusries enter into production and facilitate the domestically feasible lines of intermediate manufactures.

The rapid increase in public sector imports, which rose from $173 million in 1964/65 to $818 million in 1968/69, reflects the rising tempo of investment in major industrial undertakings and has been the principal reason for the mounting current deficit in spite of a substantial expansion in the exchange receipts of the oil sector. The rapidly rising expenditure linked with industrial construction, together with growing debt repayment obligations, has necessitated progressive increases in external borrowing.[127] The debt-service ratio rose from 5.9 per cent in 1966/67 to 10.4 per cent in 1968/69 and is expected to move up to 14 per cent in 1969/70. However, in com-

[126] Bank Markazi, *1969 Annual Report*, p. 99.

[127] Iran's credit rating continues to be excellent. In recent months a DM 200 million credit was issued by a consortium of nine German banks against purchases of industrial and other equipment. It is also reported that a syndicate of nineteen British, European and United States banks will offer a loan of 80 million Euro-dollars to Iran.

parison with the other developing countries, and also with its own position in earlier years, Iran's present debt-service ratio is moderate.

Plan progress and prospects

The Fourth Plan envisaged a total fixed investment outlay of 810 billion rials, composed of 443.5 billion (54.7 per cent) in the public sector and 366.5 billion in the private sector. Industrial projects, together with oil and gas which constitute the more dynamic sectors of the economy, are earmarked for 301.6 billion (37.4 per cent). As work on most of the public sector industrial projects had begun in the final years of the preceding plan, the first two years of the fourth plan have witnessed vigorous progress in their execution and this has been accompanied by a similar expansion in private sector investment. Gross fixed-capital formation in 1968/69 has been placed at 121.3 billion, and the indications are that investment expenditure will be much higher in 1969/70. However, in view of the fact that most of the public sector industrial projects are due for completion by the end of 1971, the years 1970 and 1971 should witness the heaviest concentration of government investment expenditure, and the pressure on foreign exchange that is already keenly felt is expected to be more severe. In 1968/69 public sector foreign exchange expenditure increased by 52 per cent. Although re-phasing of additional investment in certain fields, such as the petro-chemicals complex, might be technically feasible, the advanced stage of progress in construction of the major projects precludes the possibility of any slowing down of investment expenditure. Also, cost increases over time, accentuated by delays, are an important factor to be reckoned with. The Government is currently attempting to solve the problem of mobilizing adequate internal and external resources. Effors are being directed towards securing larger flows of oil revenue, improving domestic revenue and controlling current expenditure, regulating the total volume of private sector investment, and resorting to external borrowing to the extent necessary. Evidently, success in these efforts will decide the pace of plan progress.

In view of the emphasis that the Government lays on financial stability in the pursuit of rapid economic growth (and the successful record in this respect over the decade), shortfalls in total resources will result in adjustments in total volume of investment spending and corresponding lags in the realization of specific targets. However, the dimensions and complexities of the current development process are making heavy demands on manpower and organizational ability. The country is fortunate in possessing competent personnel at the top and their ranks are being steadily reinforced by the return of highly-trained Iranians from abroad. This phenomenon is described as the "brain gain" in contrast to the "brain drain" in some of the developing countries. In respect of the mass requirements of unskilled manpower, the steady inflow into the urban and industrial centres from the countryside renders the supply elastic and insures against undue rises in wage rates. There appears to be a problem, however, in respect of skilled and semi-skilled labour and middle-level managerial personnel. The Government has been taking steps towards accelerating the training programmes in the framework of a manpower budget, and encouraging in-service training. However, in the immediate context of rapidly expanding demands for middle-level and skilled manpower, it is only natural that wage rates in some occupations should tend to rise until supplies start expanding in the specific categories. In the current period and in the immediate future, the development challenge lies essentially in successful economic and financial management and, in the process, Iran has many valuable lessons to offer to the developing countries of the world.

Republic of Korea

In 1969, the Korean economy continued along the path of rapid growth achieved in previous years, with GNP (measured in constant 1965 prices) rising by 15.5 per cent. The increase in production outstripped the growth of population with the result that per capita GNP rose from $165 in 1968 to $195 in 1969.[128] Moreover, while additions to the working-age population have been substantial, the growth of production has been so rapid that unemployment has declined (from 7 per cent of the available labour force in June 1966 to just under 3.5 per cent in June 1969) and hours worked per day per worker have risen.

Apart from the high ratio of gross domestic fixed capital formation to GNP, equivalent to 27 per cent in 1969, the two most outstanding features of the Korean economy have been the tremendous increase in industrial production (with 1965=100, the index of industrial production was equal to 276.4 at the end of December 1969), and the substantial annual increase in export earnings (equivalent to almost 40 per cent per annum since 1963, and the rate of increase was 40.4 per cent in 1969).

Such rapid growth has placed some strain on the economy. Demand for goods and services has tended to outstrip the supply, with inflationary consequences and associated balance of payments difficulties. In an effort to reduce the extent of over-heating of the economy, the Government increased the level of taxation in 1968 and again in 1969, tax revenue in 1969 rising by some 35 per cent over the level of collections in the preceding year. However, while the growth of personal disposable income has been restrained, a rising savings ratio combined with an

[128] All figures for 1969 are preliminary.

increasing level of capital inflow has permitted a sizeable increase in private investment demand while the rise in government revenue has been accompanied by expansion in government consumption and capital spending. In consequence, demand continued at a high level and both inflationary pressures and balance of payments difficulties continued.

In general, the development of previous years is being maintained and even improved upon, with the Government playing an increasing role, but symptoms of overstrain are appearing and steady growth at a slightly slower pace than the current years is a growing possibility for the future.

Production

The output of the agricultural sector (defined to include forestry and fishing) has grown slowly in recent years. In a large measure, this has been due to two consecutive years of drought in 1967 and 1968; the production of rice, the major agricultural crop, actually fell by 11 per cent in 1968. With more rapid growth elsewhere in the economy, the share of the agricultural sector in GNP fell from 38.7 per cent in 1965 to 28.1 per cent in 1969. Nevertheless, this sector still employs almost 50 per cent of the working population. A satisfactory growth rate of 11 per cent was recorded in this sector in 1969.

The small size of farms is typical of the Republic of Korea. The average farming household has 6.5 members and a farm of less than one hectare; over one third of all farm households work less than one half of a hectare. Due to fragmentation and physically separate strips, the fields worked are often smaller than the average figures suggest. In the Republic of Korea, the smaller the farm the lower is the yield; for instance, the productivity of labour in rice production on farms of less than one half of a hectare was only 45 per cent of that on farms of over two hectares. A significant increase in agricultural output would probably be obtained by amalgamation. The questions, however, are those of organizing such a substantial change in traditional patterns of cultivation and of absorbing the potential amount of labour released by such a land reform programme elsewhere in the economy.

The conservatism of the farmers in accepting new crops and techniques has been changing quite rapidly in recent years, with a switch to the production of cash crops, such as fruit, vegetables and industrial crops, and increasing use being made of fertilizers and machinery. In 1968 alone, the number of engine-operated ploughs increased by 63 per cent.

Government development strategy has favoured industrialization rather than agriculture. Only less than 10 per cent of total government spending has been devoted to the agricultural sector while the policy of cheap loans for export activities and for the purchase of imports to be processed and re-exported mainly helps industry, since the share of agricultural exports in total exports is limited to some 4.3 per cent and, by comparison with industrial exports, the import component in agricultural exports is negligible. There are signs that the policy is gradually changing and more resources are being put into agriculture and fishing and in 1969 almost 30 per cent of budgeted economic service spending was in this sector. An eight-year grain production programme was launched in 1969 shortly after the inauguration of a four-year stock-raising development programme in 1968. The major reason for the increased attention to agriculture was the poor crop yields achieved in 1967 and 1968 and the consequent increase in food prices.

Industrial output continues to grow at a fast rate, the share of manufacturing industry in GNP rising from 17.7 per cent in 1965 to 20.2 per cent in 1969. Different rates of growth have been achieved by different industrial groups since 1965, with most industries increasing their output. The leading growth industries in recent years have been textiles, wood and wood products, paper and paper products, basic metals, metal products, machinery, electrical machinery and transport equipment, all of which more than doubled their output between 1965 and 1968.

Small and medium-sized industry plays a crucial role in the economy, accounting for 98 per cent of the total number of enterprises in the manufacturing sector and employing 61 per cent of the total employees. While these firms produced 47 per cent of the total output of the manufacturing sector and their contribution to domestic value added within this sector was still smaller, they nevertheless accounted for 41 per cent of export earnings derived from the sale of manufactures.

In recent years, considerable effort has been made to improve the infrastructure (electricity, water supply, transport, storage and communication facilities) for industry. The supply of electricity, long lagging behind the increase in demand, is now more than adequate following a fourfold rise in the capacity for electricity generation between 1962 and 1968. A major effort is currently being made in road building, but railway transport is still a bottleneck.

In recent years, wage rates have been rising in the manufacturing sector (monthly earnings rose by almost 14 per cent in real terms in 1968). In part, the rise is a reflection of the growth of productivity and, in part, of a growing shortage of skilled labour. In consequence, industry in the Republic of Korea is becoming somewhat more capital-intensive.

Investment and saving

The rise in the ratio of gross domestic fixed-capital formation to GNP that has occurred since 1964 continued in 1969; investment measured in terms of constant 1965 prices increased its share of GNP from 23.3 per cent in 1967 to 31.8 per cent in 1969. This is a remarkable achievement indicating the substantial expansion in fixed investment since GNP itself increased substantially. The rapid increase in investment has been one of the major reasons for the high and accelerating growth rates achieved since 1964.

Table II-2-16 shows the allocation of investment by sectors for the two years 1967 and 1968. Three points stand out. First, there has been a rise in the level of social overhead capital investment, its share of total investment rising from 36.9 per cent in 1967 to 37.9 per cent in 1968. Second, investment in manufacturing, the second largest category, increased further in 1968 but its share of total investment fell for the second consecutive year. Third, while there was a rise in investment in the agricultural sector, this sector's share of total investment declined further in 1968 (and still further in 1969) reflecting a trend which has been apparent since 1964. Endeavours to stimulate investment in this sector in recent years have not yet reversed this trend.

In 1968, private sector investment was almost three times as large as public sector investment. Investment in both sectors reached record levels in 1968.

Table II-2-16. Republic of Korea: Allocation of gross domestic capital formation, 1967 and 1968

(in billion won)

Investment category	*1967*		*1968*	
	Total	*Per cent*	*Total*	*Per cent*
Agriculture, forestry and fishery	23.26	8.6	30.73	7.3
Mining and quarrying	2.53	0.9	4.18	1.0
Manufacturing	68.61	25.2	95.49	22.7
Construction	2.22	0.8	11.43	2.7
Electricity, water and sanitary services	22.12	8.1	43.55	10.3
Transportation, storage and communication	76.23	28.0	104.95	24.9
Wholesale and retail trade	11.12	4.1	16.83	4.0
Banking, insurances and real estate	0.87	0.3	3.53	0.8
Ownership of dwellings	25.86	9.5	46.20	11.0
Public administration	5.31	2.0	10.48	2.5
Services	25.87	9.5	34.98	8.3
Increase in stocks	8.20	3.0	18.96	4.5

Source: Bank of Korea.

Essentially, there have been two sources of finance: domestic savings and foreign capital inflow. In 1966, some 55 per cent of gross domestic investment was financed from domestic savings. However, although there has been a dramatic increase in the absolute level of domestic savings since 1966, its contribution towards financing investment spending has declined slightly, amounting to 50 per cent in 1968. Over-all, heavy reliance has been placed on foreign capial inflows for investment purposes. Preliminary figures for 1969 indicate that this situation may now be reversing.

There has also been a marked change in the composition of foreign sources of finance for investment since 1960. In early 1960s, transfer receipts dominated foreign capital inflow and accounted for approximately 70 per cent of total invesment. However its share has since fallen dramatically, increasing reliance being placed on public and private borrowing abroad. In 1969, transfer receipts accounted for only 11 per cent of total investment.

Disaggregating domestic savings, three further developments are noteworthy. First, the share of government saving has steadily increased from 13 per cent in 1966 to 22 per cent in 1969, a remarkable achievement considering that the government sector dis-saved each year without exception over the decade 1954-1963. Second, the share of business savings has declined markedly from 41.5 per cent in 1966 to 25.5 per cent in 1968. Third, while the share of household and private non-profit making institutions tends to fluctuate with the harvest, the over-all trend since 1962 has been upwards.

Employment and earnings

At mid-1969, the population was estimated at 31.1 million of whom 56 per cent were in the working age group (14-65 years). Approximately 36 per cent of the total population was gainfully employed. The amount of labour employed increased substantially in 1968, continuing a trend apparent since 1962. Apart from an increase in the absolute size of the work force, the number of hours worked per worker per week also increased.

Reported unemployment figures show a fall each year between 1963 and 1968. The growth of the economy has been sufficiently rapid to absorb more than the whole of the increase in the labour force over this period and to utilize the total work force more fully. Of those unemployed in 1968, 59 per cent reported that they had no former employment and were, in effect, new entrants into the labour market. Only 7.5 per cent reported agriculture as their previous industry.

In part, the high growth rates of the past are a consequence of the availability of an adequate supply of low-priced labour. However, there are now indications that a labour shortage is emerging,

particularly in respect of skilled labour. Earnings rose at a faster rate than productivity in 1968 (in manufacturing, the earnings index, with 1965=100, stood at 182.6 in 1968, compared with the productivity index which stood at 146.8), hours worked per worker per week in industry are increasing, the turnover of labour is increasing (suggesting that there is increasing competition among firms for labour), and the demographic effect of the Korean War is now reducing the annual addition of teenagers to the work force. In general the evidence suggests that a tightening in the labour market may well be emerging as labour enters a stage where its supply elasticity is less than in the past, but it is too early to be certain.

The distribution of employment by sector shows a slight decline in the percentage of total employment in agriculture in recent years. In absolute terms, employment in the agricultural sector decreased by some 180,000 persons between 1963 and 1968. However, when account is taken of the fact that half of the work force is in this sector and that, through natural increase, the rural population would have increased over this period, the amount of labour leaving the rural sector to seek urban employment would have been much greater than 180,000 persons. Employment in manufacturing continues to grow, having risen from just over 10 per cent of the work force in 1965 to 14 per cent in 1968. In a large measure, the increase in employment in this sector has been drawn from new entrants to the labour force, former agricultural workers accounting for only one third of the increase in employment in the manufacturing sector. The number of farm households in 1968 was 16 per cent above the level of 1963 and, since farmers' earnings compare quite favourably with industrial wage rates in terms of real purchasing power, agriculture has not yet become the major source of further additions to the industrial labour force. Employment in the service sector has grown substantially in absolute terms, but its share of total employment has remained relatively steady since 1965 at about 32 per cent.

In view of the rapid industrialization, it might be expected that earnings in industry would rise substantially faster than in agriculture, partly to attract labour and partly because productivity would be rising more rapidly in industry. While this has been true since 1965, the disparity in the rate of increase in monthly earnings in the industrial and agricultural sector has been negligible, and the order would probably have been reversed but for two years of drought in 1966 and 1967. Taking a longer time span, and using 1961 as a base year, agricultural earnings have enjoyed a faster growth rate, the index of their monthly earnings standing at 385 in December 1968 compared with 323 for manufacturing earnings.

A comparison of rural and urban savings reveals that, between 1963 and 1968, urban workers dissaved in three of the six years, whereas farm households managed to save each year. For the whole period, urban households saved a total of 8,500 won on average, whereas rural households saved 89,000 won on average, ten times as much. Since the cost of living in rural areas is normally less than in towns, the real purchasing power of rural savings is further enhanced. When converted to a per capita basis, the difference between average savings in the rural and urban areas would tend to be narrowed because rural families are normally larger than urban families. Nevertheless, the scope for rural savings on an acceptable scale outweighing urban opportunities may explain why the release of labour from the agricultural sector to the urban sector has not so far been large. Moreover, unless there is a substantial increase in real earnings in the urban areas, the industrial sector may have to continue to rely heavily on new entrants to the labour force as its main source of additional labour.

Prices and price stabilization

Prices continued to rise in 1968, the wholesale price index moving up by 8.1 per cent and the all-urban consumer price index by 10.8 per cent, but the rate of inflation has eased slightly each year since 1966. A available figures for 1969 suggest that the rate of inflation, as measured by the wholesale price index, eased but the all-urban consumer price index showed a faster price rise of 12.4 per cent.

In the past, the public utilities have been thought to cause inflation by increasing their administered prices, but there is little evidence to support this. Indeed, the more common practice in the Republic of Korea has been for utility prices to lag behind other price rises. For example, the price of electricity has not changed since November 1967 while, in the same period, the all-urban consumer price index registered an increase of 17.1 per cent. As a result, the price of electricity has fallen in relation to that of other goods and this has tended to increase the demand for goods that use electricity, e.g. electrical machinery, radio and television sets.

Money supply has increased substantially in the Republic of Korea in recent years, though the rate of increase has decreased since 1967. Within the total money supply, money in circulation has been increasing more quickly than bank deposits, but, like the total money supply, the rate of increase of money in circulation is also falling each year. The rate of increase in money supply nearly doubled in 1969 but, possibly because of time lags, did not appreciably affect the price level.

Since 1962, monetary policy has been used as an anti-inflationary measure and, as a result, interest rates in the Republic of Korea rose very rapidly indeed from 13.9 per cent for bank loans in 1962 to 26.0 per cent in 1968 and now stand at 24.6 per cent. These high interest rates pose certain problems for the economy. Businessmen tend to borrow abroad for working capital as well as for investment, since interest rates abroad are much lower than in the Republic of Korea, and this has caused a rapid increase in the inflow of foreign capital, especially in the last two years. As a result of this, increases in the rate of interest in the Republic of Korea can add to the inflow of foreign capital rather than reduce the amount of investment and, as long as business confidence is not undermined, monetary policy may prove ineffective even at the prevailing level of high interest rates. On the other hand, an increase in the rate of interest may induce more domestic saving in the Republic of Korea, as happened in the past, although some savings were undoubtedly diverted from the unorganized money market to the banks and were recorded in the statistics for the first time.

The structure of the interest rates has assisted the balance of payments since loans for export activities and for imports used in the production of exports are provided at a mere 6 per cent, or one quarter of the rate charged on normal loans. Given the rate of inflation each year, this amounts to a negative real interest rate. Undoubtedly, the rapid growth of export activity has been assisted by these very attractive credit terms.

In an effort to control the rise in the price level and to deal with the balance of payments problem, taxes have been increased significanly. In 1968, tax revenue was 50 per cent higher than in 1967. In 1969, indirect taxes, at 49.6 per cent of government revenue, were nearly twice as important as direct taxes at 25.5 per cent. On current account, the budget has been in surplus each year since 1965 and the size of the surplus (equivalent to government sector savings) has risen substantially each year. Undoubtedly, reliance on fiscal policies is increasing as monetary policy seems less effective. This trend can be expected to continue with possibly some greater use of direct controls as a supplement.

Private foreign capital inflow has increased at an extraordinarily rapid rate since 1965, the absolute level increasing from US$16.6 million in 1965 to US$415 million in 1968. Of the 1968 total, private long-term capital inflow accounted for 97 per cent. In 1968, private capital inflow financed almost 30 per cent of gross domestic fixed capital formation; the corresponding figure for 1965 was below 5 per cent.

This high rate of inflow of foreign capital is of great importance in explaining the extremely fast rates of growth in the recent past. It has ensured high and increasing rates of investment which are necessary, but not sufficient, for growth, and it has in addition allowed the import of machinery and materials needed in the growth process, that is to say it has covered the import-export gap. The value of the foreign capital inflow in the growth process cannot be doubted.

However certain issues have arisen in the absorption of this capital. Aggregate demand has consistently exceeded the domestic production capacity since the supply of money increased rapidly.

There is an unavoidable time lag between the spending of the won after conversion and the resulting output. Another element is the fact that foreign exchange reserves have increased each year since 1965 but the current account of the balance of payment has been in deficit. The increase in external reserves tends to reduce the rate of depreciation of the won below that which the balance of payments on current account would set. In turn, it means that a balance of payment deficit usually can continue for a longer period before corrective action is taken and that the ultimate solution is less easy.

Obviously the heavy reliance on foreign capital inflow increased the debt service problems in the Republic of Korea, particularly since the total debt structure is changing in such a way that a higher proportion is now on commercial terms and at higher interest rates. The debt service ratio, measured by total repayments as a percentage of export earnings, shows a steady increase since 1962. According to the Economic Planning Board, the average debt service ratio for 1962-1966 was 4.5 per cent, in 1967 and 1968 it was 11.2 per cent and in 1969 it was 9.0 per cent.

While the level of repayments as presented is still relatively low and not a matter for grave concern, the trend in the ratio has been upward. Exports are still increasing but the balance of payments is not strong enough to stand a big increase in the debt service ratio. It seems probable that, in the absence of a rapid improvement in the balance of payments, any further increases in the already high level of foreign capital inflow will represent a problem, both for reasons of inflation and of repayment capacity.

Trade and balance of payments

In 1969, exports are estimated to have reached US$703 million and imports US$1,750 million. The structure of exports has shown a marked change in the last few years. In 1962, the start of the first five-year plan, 40 per cent of all exports consisted of food and 35 per cent of inedible crude materials (excluding fuels). By 1968, food exports had fallen

to 10 per cent of total exports and inedible crude materials to 14 per cent, despite the fact that, over the period 1962-1968, there was a large absolute increase in the value of such exports. While this trend was occurring, manufactured goods increased their share of total exports from 15 per cent to 68 per cent; the early dependence on exports of primary produce has now given way to increased dependence on manufactured exports.

On the import side, machinery and transport equipment have shown the fastest growth, rising from 16 per cent of all imports in 1962 to 36 per cent in 1968, reflecting the rapid growth of industrialization that has occurred in the intervening years. The import share of food and live animals has remained fairly constant since 1962 at about 11 per cent of all imports as has that of manufactured goods (other than machinery and transport equipment) at about 19 per cent. One interesting development on the import side has been the steady decline in the share of inedible crude materials in total imports from 21 per cent in 1962 to 18 per cent in 1968, despite the rapid growth of the economy over this period. Further, imports of food and live animals have consistently exceeded exports of such in each year since 1960 so that the Republic of Korea exports manufactures and tends to import, rather than export, agricultural produce.

The balance of payments deficit has widened steadily since 1965 when there was a current account deficit of US$198.6 million to one of US$666.4 million in 1968. In 1969, the situation continued to deteriorate in the first three quarters and the deficit for the year may approach US$800. Merchandise trade runs a substantial deficit, the figure for 1968 standing at US$835.8 million. The deficit reflects the demand for imports necessary to sustain growth. The rate of increase in the merchandise deficit has been rapid, the increase in 1968 being 45.6 per cent. Transport and insurance is also an item constantly in deficit (amouning to US$73.4 million in 1968) but government transactions (mostly consisting of military items) have been in surplus (US$232.9 million in 1968). In general, the deficit on merchandise trade plus transport and insurance is increasing rapidly and the surplus achieved in government and "other services" is insufficient to prevent an over-all deterioration in the balance on current account.

The devaluation issue is Korea continues to be unsolved. The case for it is, firstly, that internal price increases have exceeded the depreciation of the won, secondly, that the won depreciation is in any case too slow due to the foreign capital inflow, thirdly, that devaluation would reduce the rapid rise in imports, and fourthly, that domestic profits are high enough to divert exportable goods to the home market. Against this, it has been argued that the demand for imports is relatively "price-inelastic" since imports consist largely of items necessary for growth and possibly are also "income-elastic"; that exports are already doing remarkably well and little surplus capacity exists to take advantage of a lower price of exports; and that a price adjustment approach to the balance of payments is less desirable than an absorption approach since it was over-absorption that caused the situation to arise. The very high growth rates, coupled wtih high and accelerating rates of investment, are straining the economy beyond the capacity of domestic resources to sustain, causing increases in the inflow of foreign capital and a deterioration in the balance of payments.

The difference between the Republic of Korea and the more normally encountered cases is that both foreign exchange reserves and capital inflow are large and increasing. However, it would seem that the current economic situation requires examination of the tolerable maximum growth rate and solution of the widening balance of payments gap. It appears that the economy may perhaps be better served by a steady but rather slower rate of growth than in the past. This indeed has now become the official policy, with lower targets of growth of 10 per cent in 1970 and 8.5 per cent in 1972, a target for investment in 1970 below the level achieved in 1969, a stronger stabilization programme, decreases in government investment and loans, and a retrenchment of bank credits. Apart from this, consideration might perhaps be given to policies which would reduce the import content of exports and stimulate agricultural productivity.

Laos

Introduction

Any study or appraisal, of either descriptive or analytical character, concerning the economy of Laos —even for a period as recent as the 1960's—must be considered in the light of the fragmentary nature, uncertainty, paucity and, as often as not, complete lack of date. In 1964, the gross national product was estimated to be US$167.5 million while the population estimate stood at 2.579 million people, suggesting a GNP per capita of about $65.[129] Since then, however, no estimate is available, which makes it obvious that, at this stage, no statement regarding the economic growth of Laos can be given in any precise quantitative terms.

These statistical deficiencies reflect the fact that Laos is largely a non-monetized economy where

[129] Ministère du Plan et de la Cooperation, Service National de la Statistique, *Rapport sur la situation economique et financiere 1968-69*, Vientiane, Laos, p. 2. This was the first time the GNP was estimated for Laos; it was the product of an experiment carried out by the Planning Commission. There have been different opinions as to the absolute reliability of this information but the consensus seems to be that the *per capita* figure would be in the $60-65 range.

estimates are necessarily educated guesses with computation giving way to imputation in most cases. In the particular case of Laos, these problems are further confounded and intensified by a political and military instability which has led to the breakdown of communications, dislocations in population distribution and employment, and disruptions in production. It has been accurately said of Laos, itself a hinterland since it is landlocked, that it is a composite of hinterlands where the parts are far from adding up to the whole. Given these limitations, any analyses, inferences and conclusions, drawn in and from the following account of Laos' economic records in the recent past must be viewed with a great deal of caution and reservation; in particular, little that is meaningful can be said of its performance in the aggregate sense. Agriculture, which is still the predominant feature of the economy, commanding about 81 per cent of the labour force,[130] has seen a steady improvement to the extent that, although the country has not yet reached self-sufficiency, it was able, in 1968, to feed half of its refugees and armed forces from its own rice production. It is not possible to gauge the effects this has had on the GNP, not to speak of its implications for future growth, simply because no figure for the GNP has been produced since the improvement began in 1965. However, this much must be admitted: Laos has no longer to rely on imports to satisfy a major part of its agricultural needs. This is a remarkable achievement in the midst of intensified political and military turmoil.

This phenomenon significantly reflects the efforts that have been made by the people and government of Laos. After more than a decade of independence and steady inception of modern ideas and technologies, basic changes in attitudes are making themselves felt. It is a rather subtle process, hardly going forth in leaps and bounds, but at least it has begun. For instance, at the same time that more and more of the rural population are coming around to the notion and usage of money, the farmers are increasingly willing to accept modern methods of production especially the use of chemical fertilizers, which were not very long ago rejected with mistrust. With improved communications linking rural areas to urban centers, farmers have begun to look beyond production for subsistence. At the same time, the traditional concept of business as a lowly profession is becoming outdated as young talented and qualified university graduates are being drawn towards commercial enterprises. This is an important change since the need for entrepreneurial skills is at least as great as that for other skilled personnel, as part of the prerequisite groundwork of long-term development.

[130] The total active population is estimated at 770,000 of which 625,000 are engaged in agricultural production. See Ministère du Plan et de la Cooperation, *Programme de Development Integre de la Plaine de Vientiane*, Vientiane, 1969.

The Government, for its part, has shown signs of a keen recognition of the country's economic difficulties, especially of the problems of long-range development. Paradoxically enough, a sense of determination and optimism seems to persist *pari passu* with a taxing war that is a perennial threat to the economy. The Government is attempting to abstract the economic problems from the war and to tackle them with a deliberate realism. Its goals are firmly delineated: to make Laos a viable economy free from foreign assistance, capable of its own development while improving the welfare of its people. Its diagnoses and prescriptions for the economic ills, admittedly simplified, are straightforward, and readily lend themselves to enforceable policy and implementation. Thus, the current five-year plan spanning the 1969-1974 period, far from being the traditional proclamation of well-intended social and economic objectives, sets forth a clearly defined and detailed programme designed to meet both the immediate and long-run needs of the economy. It is a comprehensive plan whose projected targets, investments and ways to finance them, should, for the first time, provide the Government with at least a guideline for the management of the economy.[131]

The changes in attitude and thinking illustrated above form a part of the social, cultural and institutional changes that are well recognized as essential to development and they should be given no less weight than that accorded to the more tangible infrastructure and directly productive sectors of the economy.

Agriculture

Food production. Agriculture is by far the most important sector of the economy, providing income

[131] The current five-year plan makes no apparent attempt at setting an overall growth-rate target, but does envisage growth rates for the major sectors. The plan calls for an investment totalling 59,078.8 million kips or about US$118.16 million at the market exchange rate of K500 = $1. Of this, K48,317 million are to go to the "basic" sectors consisting of such major projects as the Nam Gnum Dam, irrigation and electrification, the establishment of a cement plant and a north-to-south network of telecommunications. Of the remainder of the planned investment, priority is given to the directly productive sector, agriculture in particular. The structure of the planned investment is as follows:

Sectors	*Value in millions of kip*	*Percentages*
Production	4,674.32	43.5
Infrastructure	2,322.40	21.6
Social (health, etc.)	2,538.16	23.5
Education	1,227.00	11.4
Total	10,761,88	100.0

The shares of various sources of financing the investments are estimated as follows: (in percentages)

Sectors	*Aid*	*National budget*	*Loans*	*Other*	*To be procured*
Major projects	49.06	1.70	11.70	2.00	35.54
Other projects	38.95	23.70	12.84	—	24.51
Total	47.22	5.70	11.89	1.63	33.49

Source: Commissariat General du Plan, Ministère du Plan et de la Cooperation, *Plan cadre de development economique et social 1969-1974*, Vientiane, pp. 32-33.

and livelihood for about 90 per cent of the people. Improvements in agriculture, particularly in terms of increased production of food crops, would not only be of immediate relief to the urban centers, and to the refugees and soldiers whose number, together, has at times climbed as high as 760 thousand or about 27 per cent of the total population, but would also help to reduce the perpetual deficit in the balance of payments thereby easing the strains on foreign exchange resources which, in turn, could be released for development purposes. The latter point is far from lost on the Government, especially when account is taken of the fact that agricultural foodstuffs normally command about a third of the total value of imports which in 1967 stood at K11-8 billion. The Government has, therefore, consistently stressed the need for agricultural self-sufficiency.

Efforts have, in particular, been made to increase rice yields through mechanization of farming, improved seeds, chemical fertilizers and insecticides. With external assistance, the Government has made considerable progress in this respect; since 1964 it has carried out 250 farm demonstrations, distributed more than 1,300 metric tons of fertilizers, sold 200 small irrigation pumps to commercial vegetable growers and through the Agricultural Development Organization (ADO), a joint Lao-American operation, has extended credit facilities to farmers for the purpose of financing investments in mechanized equipment and tools, notably tractors.[132]

In 1967, the new "miracle" rice seeds known as IR-8 and IR-5 from the Philippines, and the Sampathong, a glutinous rice from Thailand, were introduced into Laos. The former, being less sensitive to differences in sunlight, are amenable to double cropping and could yield up to 10 tons per hectare per year, given proper irrigation, fertilizers, and correct cultural practices. The Thai seed can yield up to 4 tons per hectare since it can only be planted once per year. These yields are dramatically high in relation to the one-ton-per-hectare performance of the local seeds.

A great deal of emphasis has also been placed on the need to increase the cultivation of the arable area. Irrigation plays a vital role in this respect, by permitting both the direct expansion of cultivated acreage and the intensification of production through double cropping. Beside the Nan Gnum Project which is expected to irrigate about 114 thousand hectares, there are 180 small dams which could control and regulate water supplies to 15 thousand hectares.

By the late 1960's, these efforts began to bear fruit, highlighted by improvements in the production of rice in 1968 which reached 550 thousand tons, an increase of 40 per cent from 1962. This permitted a reduction in the import of rice by 20 thousand tons, about 30 per cent of the previous year's imports. The year 1969 saw yet another increase in production to 570 thousand tons. At the same time, the area to which double cropping is applied increased from 1,200 to 1,800 hectares.

Notwithstanding these encouraging signs, the country is still a long way from self-sufficiency, not to speak of the ultimate goal of transforming agriculture from a deficit into foreign-exchange-earning sector. While the country still has to import about 40 thousand tons of rice annually, the Government envisages an increase of 50 per cent in rice production in five years in order to replace all imports of rice and the export of up to 200 thousand tons per year by 1975. This target calls for an extension of irrigation to 50 thousand hectares while it is estimated that all the completed irrigation projects presently cover only 8,500 hectares in the wet season and 5,100 hectares in the dry season.

Meanwhile, the production of vegetables has been more or less stabilized, that is, stagnant in development terms, and here also importation is the rule. The same thing can be said of the livestock sector where the potential for self-sufficiency does exist, reinforced by the fact that Laos is a nation of fish-and-vegetable rather than meat consumers. While it is not unusual for import substitutes to exist, derived from surpluses of livestock that accrue in the south, communications within the country, which are nearly impossible and often perilous, create a structural and distributive twist whereby these surpluses, along with other foodstuffs, find their way across the Mekong, travel up half the length of Thailand only finally to re-enter Laos in the North in the form of imports. This serves to emphasize that the basic inadequacies lie not so much in the lack of resources as in structural deficiencies such as those in transportation and marketing organization. Hence, substantial development along these lines remains a major task and the Government is paying especial attention to the construction, renovation and maintenance of roadways. The Agricultural Development Organization for its part, has contributed much in terms of distributing seeds, fertilizers and insecticides, of setting up warehouses, of selling mechanical equipment such as tractors and pumps on credit and especially of the purchase of farm surpluses at a minimum price should farmers find no market or no better market elsewhere.[133]

[132] "Four Questions on American Economic Aid to Laos", lecture delivered by C. A. Mann, Director of USAID Mission to Laos at a Seminar Meeting of the Mittasone Association, Vientiane, November 1969. The loans made to farmers by the Agricultural Development Organization have amounted to an outstanding debt of K118.62 million.

[133] Mention should also be made of the non-food crops. In the last few years, such potential exchange earners as coffee and tobacco showed few signs of their potentialities being realized in the near future their production levels having remained fairly stable around 3.5 and 4.0 thousand tons respectively. Of the market crops, cotton which is cultivated in the north west, mainly in the province of Sayabouri, seems to have the best commercial prospects as almost the entire crop of 1968 was exported to Thailand. Still, because of its low level of production its impact on the balance of trade and the rest of the economy is minimal.

Fisheries. Fish are the major source of protein in the Lao diet. Beside the immediate benefit from increased food supplies, the development of fisheries could provide a rapid increase in protein and, in the long run, serve to increase the people's working capacity.

Since 1966, a growing number of hatcheries have been established in Vientiane, Luang Prabang and Pakse. Their task is to breed fingerlings for sale to fish-raising ponds operated by families, villages and other organizations on a self-help basis. Largely because of effective demonstrations and good results, these ponds are now springing up all over the country and, by the early part of 1968, over 100 thousand fingerlings had been purchased from the hatcheries; it is expected that the sale will go up to 2.5 million fingerlings per year plus 50 tons of adult fish which could be sold for consumption.

Forestry. While the production of timber has been on a steady rise since the late 1950's, reaching 115 thousand cubic meters by 1967, there was a dramatic jump in the export of lumber from 1966 to 1967, for a nine-fold increase in foreign exchange earnings from $76 thousand to $669 thousand. The increase in timber production was only 60 per cent, which suggests that it was external demand which provided the stimulus in this case. Since 1964, the general trend has been for exports to increase and lumber is currently a foreign currency earner second only to tin. Positive steps, beginning with a forest inventory started in 1968, have therefore been taken to control logging in order to insure a more rational exploitation of forest resources.[134]

Industry

Small industries. There has been hardly any significant development in industrial production. Industry is limited to brick kilns, sawmills, furniture and cabinet-making, handicrafts, cigarettes, matches, sandals, soft drinks, and a number of transportation and electricity companies.

In 1968, sawmill production totalled 91,100 cubic meters of lumber. Other production included 19 million packs of cigarettes, 18 million boxes of matches, 27 million bricks and 1.7 million pairs of rubber slippers and 1.3 million litres of carbonated drinks. Electricity output increased from 24.5 million kwh in 1967 to 26.2 million kwh in 1968, which was mainly for domestic consumption, the requirements of industry being met by private individual generators.

In spite of the relative unimportance of these small industries in terms of their contribution to the economy as a whole, possibilities exist for their being developed into effective producers of import replacements and even exportables; many of them could supplement the broader development of agriculture. Thus, the establishment of rice and flour milling, crude brown sugar processing, animal feed enrichment, and a factory to make use of such by-products as hides, horn and blood, for instance, is being seriously studied. Feasibility studies are also planned (some are already under way) for the development of light metal-working industries, the production of agricultural tools and implements, cotton milling, coffee and tea processing, and the manufacturing of veneer and plywood.

Mining. Tin mining has been and remains the largest part of the industrial sector and the leading export item, accounting for 47 per cent of total exports in 1967 when tin production totalled 1,230 tons. This was an increase of roughly 80 per cent from 1964 while its export earnings tripled. There was, however, a slight decrease in production to 1,173 tons in 1968, owing largely to the decline in the tin content of the ore.

Surveys have produced favourable indications concerning other mineral potential such as iron ore, natural gas, oil and coal. More than 1.1 billion tons of iron ore deposits of up to 60-75 per cent of metal content have been estimated to exist near Xieng Khouang. The military insecurity has, unfortunately, prevented further exploratory work.[135]

Cement. The present rate of cement consumption is 30 thousand tons per year, all of which is met by imports and the figure is expected to go up considerably after the completion of the Nam Gnum project by 1971. This expected rise in demand seems to justify the building of a cement factory, included in the twelve major projects outlined in the five-year plan. Cement imports place a heavy burden on the country's balance of payments since they incorporate high transport costs. The annual drain is about K400 million worth of foreign currency whereas a cement plant could produce up to 50 thousand tons per year, or the equivalent of K750 million worth of imports. Besides, the plant would help to serve general development purposes by creating additional employment opportunities and stimulating linkages to other enterprises and sectors.

Infrastructure

Transport. The extreme difficulties of internal transport are perhaps the single most serious bottleneck in the economy, responsible for the deep-rooted imbalance as characteristically expressed by the existence of surpluses of agricultural products in the

[134] A drastic drop in timber production in 1968 reduced output to 66.6 thousand cubic meters, the result of a premature wet monsoon.

[135] There are a number of salt mines in Vientiane province which produce several thousand tons per year. Nevertheless, salt has to be imported from Thailand to satisfy domestic needs, again largely because of poor marketing facilities. USAID contracted in 1967 to buy 1,200 tons per year from the mines in Ban Keune in order to meet part of the urban needs and reduce imports from Thailand.

South and rural areas and a chronic excess demand in the North and urban areas. Present attempts to rectify this anomaly are concentrated on the building of new roadways as well as extending and improving existing ones, since the navigability of the Mekong is already incorporated in the Mekong Project.

Since 1965, 498 km of roads have been built to give the urban and riparian centers access to rural areas while 57 bridges have been constructed, reinforced or widened. In 1967, 290 km of new all-season roads were constructed and maintenance work is performed on at least 2,000 km each year. In 1965, Route 13 joining Vientiane to Thakhek, Savannakhet and Pakse was rebuilt as an all-weather road; restoration of its northern portion from Vientiane to Luang Prabang was completed in 1968.[136] These road programmes may prove short-lived if the military strife continues. In 1969 Route 13 was damaged, with bridges blown up along its southern portion, while the Vientiane—Luang Prabang portion was cut by insurgents from July to October.

The perilous conditions of land transportation have considerably increased the relative importance of internal air travel. The number of passengers and freight tonnage carried by domestic airlines increased by 100 per cent and 115 per cent respectively between 1964 and 1968. This has led to a rapid development of small airstrips, runways and parking aprons, dotted all over the country. Meanwhile, the 2,000 metre runway at Wattay Airport in Vientiane is being extended to 3,000 metres to accommodate inter-continental lines. The coss of this project, including the improvement of existing facilities at the airport are estimated to be K1,000 million, about half of which will be defrayed by aid from Japan with the rest remaining to be raised. Should the project be successfully completed, it would place Laos well in the mainstream of world traffic and communications.

The construction of a road and rail bridge across the Mekong, as projected in the five-year plan, should serve as a first step in any contemplated development of a railroad network in Laos. It would directly link Vientiane to Bangkok by rail and would considerably reduce transport costs by avoiding the reloading of freight from the railhead at Nong Khai in north-east Thailand, to the ferry across the Mekong and from the ferry at Thanaleng by road to Vientiane. It is also anticipated that the direct rail connection might reduce the monopolistic truck freight charges through Thailand, which at present is Laos' only access to the sea. However, road and rail lines have for some time existed side by side along the Bangkok-Nong Khai portion of this access without the emergence of competitive pricing.[137]

Health. Infant mortality has long been the major factor responsible for the slow growth of the Lao population and labour force. More important, however, the capacity of the labour force is impaired by a relatively low standard of health caused by deficient facilities, general malnutrition and endemic diseases. Construction will soon begin on the Mahosot Hospital's Maternal and Child Health Center in Vientiane, supported largely by American aid, to be followed by other centers in the provinces. As of 1969, there were 220 rural dispensaries and four rural hospitals with 300 beds. In the cities and towns, hospitals numbered seven with 343 beds, staffed by 97 doctors, dentists and nurses.[138] The five-year plan allocates K600 million to the construction of a 200-bed hospital at Luang Prabang, two centers for the treatment of tuberculosis and malaria and a pharmaceutical laboratory.

Education remains a pressing problem.[139] Attempts have been made to increase the number of schools, teachers and student enrolments, but they still leave much to be desired. Thus, while the total student enrolment increased by 36 per cent from 1965 to 1968, the total number of registered students stood at 207,679 or only 7 per cent of the total population, as compared to 17 per cent in Thailand.[140] Part of the problem is the insufficiency of funds, but the basic difficulties are inherent in the education system, which poses formidably restrictive hurdles at every level of study, yielding a Western-trained few who form the country's elite. The system must also be oriented towards technical fields rather than liberal arts. Recent developments have been encouraging in this respect; student enrolment in secondary schools increased by 53 per cent from 1965 to 1968 while enrolment in technical colleges and in universities rose by 56 per cent and 205 per cent respectively; among the returnees from abroad, the doctors and engineers increasingly outnumber the political scientists.

Government finance

The national budget is marked by chronic deficits with government revenue usually meeting only 40 per cent of expenditure. Although the deficit decreased

[136] In 1968, total asphalt roads measured about 620 km, unsurfaced roads 1,852 km. Registered private automobiles numbered 14,016, of which 10,599 were passenger and 3,417 commercial vehicles, the relative shares of the two having remained constant since the early 1960's. The total number of motor vehicles has more than doubled since 1961.

[137] Like transport, telecommunications in Laos are in poor condition. Four radio stations, a telephone network covering 800 subscribers and one news-disseminating agency (Lao Photo Press) are supported by aid from the United States, the United Kingdom, Australia and Germany. A north-south telecommunications network is planned, linking district and provincial capitals to Vientiane.

[138] These figures do not include private institutions.

[139] In 1962, the illiteracy rate was 72 per cent. See UNESCO Regional Office for Education in Asia, *Progress of Education in the Asian Region: a Statistical Review*, Bangkok, 1969.

[140] The comparison is permissible here since the school-age group, expressed as a proportion of total population, is roughly the same in both countries, about 45 per cent.

from fiscal year 1965/66 through 1967/68, the 1968/69 budget increased it drastically to K9.8 billion with revenues totalling K7.0 billion against an expenditure of K16.8 billion. Over half of the total expenditure is for defence and 45 per cent is for public administration; less than five per cent is allocated to economic development. The development share in the 1969-1970 budget is of the order of K800 million of which only K400 million is allocated to investment in the first year of the five-year plan. Of the total investment called for by the five-year plan, only 5.7 per cent is to be provided by the budget; as much as 47 per cent is to be financed by pledged foreign aid. Failure to raise the remaining one third will require drastic reduction of the planned projects.

Direct taxes contribute, on the average, less than 10 per cent to total government receipts. The difficulties stem from the lack of a sufficiently organized and enforceable income tax system. The widespread absence of modern book-keeping practices, the general paucity of income records and the existence of a large non-monetized sector plagued by military disturbances tend at times to paralyze the evaluation and collection processes. But the most deep-rooted limiting factor is the generally low level of incomes.

Indirect taxes provide the main source of government revenues and contribute about 85 per cent of the total each year. The percentage share of import duties in indirect taxes has risen steadily from 67 per cent in 1964 to 83 per cent in 1968. Again, the major part of import duties accrues from duties on gold imports, their share having likewise increased from 25 per cent in 1965 to 60 per cent in 1968. In 1969, gold imports and duties earned on them dropped from the previous year's level despite a reduction in the duty rate from 8.5 per cent to 7.5 per cent. Meanwhile, considerable potential revenues leaked out through smuggled imports and uncontrolled re-exports.

Foreign Trade

Although deficits in the balance of trade have averaged about 95 per cent of the value of imports in the later part of the 1960's, the trend has been for imports to increase less rapidly than exports causing the deficit to diminish to 87.2 per cent of total imports in 1968.[141] Thus, while imports increased by 18 per cent from 1966 to 1967, the value of exports increased three-fold; in 1968 imports of K12.8 billion were 8.5 per cent above 1967 while exports earned K1.6 billion, an increase of 55 per cent for the year. Most of the increase was, as usual, contributed by tin, lumber and green coffee. Lumber, in particular, exhibited a phenomenal export growth in the last half of the 1960's. In 1966, its earnings were doubled from the previous year and in 1967 reached K335 million worth of foreign currency, almost a nine-fold increase. At the same time, its share in the total value of exports has steadily risen from 6 per cent in 1964 to 31 per cent in 1967.

Despite the generally encouraging signs in the export sector, the large and persistent trade deficit reflects a number of deep-rooted imbalances in he economy. The predominance of subsistence agriculture and the lack of a sizeable industry, the deficiencies of internal transport, defence needs and refugee problems, have made the country heavily dependent upon imports. On the other hand, the fact of Laos' being landlocked has severely burdened its exports with extra transport costs incurred by access to the sea through neighbouring countries; this, at present, is confined to Thailand as a result of the military situation in Viet-Nam. In contrast to the favourable performance of lumber exports, mainly destined for Thailand and therefore free of added access costs, the share of tin, which is transported by rail from Nong Khai to Bangkok where it is transferred to ships bound for Malaysia, has declined over the years from 78 per cent of total export earnings in 1964 to 47 per cent in 1967.

Table II-2-17. Laos: Balance of trade

(in thousand kip)

Year	*Imports*	*Exports*	*Deficits*	*Deficits as per cent of imports*
1964 . .	6,123,565	213,345	5,910,220	96.5
1965 . .	7,893,227	240,169	7,653,058	97.0
1966 . .	10,017,159	357,724	9,659,435	96.4
1967 . .	11,796,359	1,064,790	10,731,569	91.0
1968 . .	12,843,000	1,637,990	11,205,010	87.2

Source: Ministère du Plan, *Statistiques essentielles*, 1968, p. 12.

Table II-2-18. Laos: Government revenue and expenditure

(in million kip)

	1964-65	*1965-66*	*1966-67*	*1967-68*	*1968-69*	*1969-70*[a]
A. *Receipts*	4,734	4,721	6,391	7,278	7,000	8,544
Indirect taxes	2,950	4,076	5,664	6,242	5,800	6,638
(Customs)	(2,016)	(3,227)	(4,749)	(5,249)	(4,800)	(5,378)
Direct taxes	189	364	454	573	590	990
Other	1,595	281	273	463	—	916
B. *Expenditures*	10,315	14,390	15,310	15,984	16,800	17,344
Military	6,389	8,393	8,345	8,260	—	8,469
Police	761	1,173	1,185	1,164	—	1,203
Civilian	3,165	4,824	5,780	6,560	—	7,672
C. *Deficit*	5,581	9,669	8,919	8,706	9,800	8,800

Source: Ministère du Plan, *Rapport sur la situation économiques et financière 1968-1969.*
[a] Estimates.

[141] According to the Ministry of Planning, this figure should be revised downward to 70 per cent because of unrecorded re-exportation and uncontrolled exports.

Table II-2-19. Laos: Exports by product

(in thousand kip)

Product	1964	1965	1966	1967	As per cent of total exports in 1967
Tin	165,745	147,266	222,411	497,651	46.7
Lumber	12,716	19,122	38,138	334,759	31.4
Green coffee	15,123	11,107	53,708	160,415	15.1
Benzoin	496	26,845	16,941	24,408	2.3
Cardamom	2,977	1,200	15,351	10,877	1.0
Hides	1,417	1,032	—	3,682	0.4
Sticklac	180	225	—	150	—
Other	14,691	33,395	11,175	32,848	3.1
Total	213,345	240,169	357,724	1,064,790	100.0

Source: *Statistiques essentielles*, 1968, p. 14.

Table II-2-20. Laos: Imports by commodity group

(in million kip)

Commodity group	1964	1965	1966	1967	Per cent of total imports in 1967
Food products	1,875.0	2,557.7	4,137.3	4,525.0	38.4
Petrol products	837.4	1,081.3	1,381.5	2,371.9	20.1
Transport equipment	698.5	799.7	1,315.2	1,543.4	13.1
Machinery	508.7	704.2	833.1	801.3	6.8
Metals	372.8	434.3	409.7	486.4	4.1
Textiles	598.7	727.2	516.5	419.6	3.6
Chemical products	374.5	412.3	415.9	406.4	3.4
Plastic products	169.2	223.6	239.9	390.7	3.3
Paper	155.6	269.8	258.5	314.6	2.7
Other	533.3	683.1	509.6	537.2	4.6
Total	6,123.6	7,893.2	10,017.2	11,796.4	100.0

Source: *Statistique essentielles*, 1968, p. 15b.

Note: Food products include processed food; taking this into consideration the value of imported agricultural products is roughly a third of the total value of imports.

Stabilization of the kip

The persistent budgetary deficits, financed primarily by loans from the National Bank and by foreign assistance in the form of direct cash grants, whereby kip were created in direct proportion to the dollars received, produced serious inflationary pressures which came to a head in the late 1950's and early 1960's. This had lowered the value of the kip to the extent that the market exchange rate was three times the official rate of K35 to the US dollar in 1958. A devaluation of the kip to K80 per dollar was consequently necessitated but pressures exerted by continued budgetary and trade deficits soon caused the value of the kip to depreciate further to between K300 to K600 per dollar. Another devaluation was called for, accompanied this time by more determined attempts to stabilize the currency. A dual-rate system emerged in 1964 as a result. The official rate of K240 per dollar is intended to support and maintain the importation of such essential commodities as rice, flour, chemicals, textiles, agricultural machinery, utility vehicles and petroleum products. This programme is financed by the United States, France, the United Kingdom and Australia. A stabilization fund, called the Foreign Exchange Operations Fund (FEOF), was set up by these countries and joined by Japan in 1965. Its specific aim is to stabilize the free market rate at K500 per dollar. For this purpose, these countries have so far contributed a total of $98.1 million. Under these monetary reforms, therefore, instead of increasing the money supply in direct relation to the dollar grants received, the Government can absorb kip by the sale of foreign exchange under the commodity import programmes and the Foreign Exchange Operations Fund and use the proceeds to finance the budget deficits. In this way, at least the purely monetary aspect of the inflationary process is minimized and so far these monetary reforms have produced good results. While the exchange rate has been stabilized around K500 per dollar since 1964, the general price level has been increasing at an average rate of 11 per cent per annum; the money supply has expanded at an average rate of 15 per cent per annum. Particularly encouraging is the fact that the rate of price increase has decreased each year from 1965 through 1968, despite the increase in the money supply.

Table II-2-21. Laos: Cost of living index

Consumer price indices for Lao family in Vietiane, Luang Prabang and Suvannakhet

1964 = 100

	1965	1966	1967	1968
Vientiane	112.5	128.3	138.6	145.5
Luang Prabang . . .	111.1	121.5	140.3	145.3[a]
Savannakhet . . .	120.0	136.4	153.6	162.0[b]
'General' index . . .	114.8	128.7	144.1	150.9
Percentage change from year to year . . .	14.8	12.2	11.7	4.9[c]

Source: Adapted from USAID, *Statistical Report 1968*, pp. 3-5; *Statistiques essentielles*, 1968, p. 18.

[a] First four months.

[b] First two months.

[c] This figure is obviously an underestimate because of the downward bias introduced by (a) and (b). Nevertheless, it corresponds with the figure of 5 per cent for Vientiane.

Table II-2-22. Laos: Money supply

(in million kip)

	1964	1965	1966	1967	1968
Currency in circulation	6,382.4	8,113.4	9,624.3	10,260.1	11,294.1
Bank deposits	820.4	952.9	1,117.6	1,000.0	1,068.4
Total	7,202.8	9,066.3	10,741.9	11,260.1	12,362.5

Source: *Statistiques essentielles*, 1968, p. 9.

These monetary reforms are essentially stop-gap measures supported by foreign aid. Solutions of a more permanent nature depend upon whether, with the respite provided by foreign assistance, the country can soon reduce its military conflict and defence costs. Despite the war and the present overwhelming difficulties, determined efforts towards progress, modest as they are, are detectable in most sectors of the economy.

Malaysia

Although the Malaysian economy grew rapidly in 1969, the structural change which occurred was the consequence of the more rapid expansion of the export sector. Over two fifths of GDP goes into exports; a marked upswing in the world market for rubber and tin thus elicits an export performance of boom proportions. Such a boom occurred in the latter half of 1968 and 1969. Export-sector incomes increased, government revenues rose, the rate of savings was enhanced, foreign assets were accumulated. The share of GDP contributed by export production rose and, although the contribution of production for domestic use also expanded, its rate of growth slackened. There was little growth in employment in the export sectors, where competition in world markets exerts continuous pressure to reduce production costs; with slackening growth rates in the non-export sectors, the backlog of unemployment remained and may have continued to increase, though some increase in employment has doubtless occurred since 1967. It is apparent that the export sector fails to provide adequate new employment opportunities even in boom times.

Between 1961 and 1967, the share of export production in gross domestic product declined from nearly half to just under two fifths. Production for domestic use correspondingly increased its share as the export share declined. The export ratio increased in the boom year of 1965 and rose sharply in 1968 and 1969. Over the six-year period the export share fell by roughly ten percentage points, or about 20 per cent on the 1961 share. More than half this structural change resulted from price changes, mainly the decline in export prices. Because Malaysia's export dependency rests almost entirely upon primary products, this shift in the structure of production would appear to be salutary. In periods of rapid export expansion the structural change is reversed, however, mainly because of improved export prices; supply inelasticities typically inhibit large real effects unless the boom is prolonged.

Disposition of resources

The indications are that merchandise exports in 1969 reached an all-time high, perhaps 20 per cent greater than 1968. Export volumes of all major commodities increased, as did the quantities of several minor exports. Prices of rubber were nearly 30 per cent above 1968 and tin was up nearly 11 per cent for the year. Not only increased export earnings but an apparent retardation in the growth of production for domestic use resulted in a retrograde structural tendency in the economy. To the extent that it represents only a temporary phenomenon, such a shift is only indirectly deleterious. To the degree, however, that investment in the domestic (non-export) sector is retarded, the structural change tends to be perpetuated. Private capital formation has declined since 1967; preliminary estimates indicate that the fall in 1969 exceeded that of 1968. (See table II-2-23). The decrease in public capital formation in 1967 was more than recovered in the following year; the increase in 1969 was small. Since government investment accounts for only a third, the reduction in private capital formation in 1969 has meant a marginal decline in the total. While the export boom of 1965 engendered the expansion of private investment in the following year, a comparable response to the 1968/69 upswing may well have been delayed by the effects of the events of May 1969 on business expectations.[142] The savings generated by the expansion of exports are not readily converted into investment in the private sector; there is apparently a lack of integration between the export sector and the domestic-use sector. Though government provides an offset via taxation and public investment, the effect is incomplete and occurs with a considerable lag.

The deceleration in the growth of private consumption expenditure in 1967 reflects the fall in export earnings and is in part reflected in the decline in imports. Recovery of both occurred in 1968; for 1969, however, with export incomes expanding at extraordinary rates, the retardation of consumption growth requires explanation. In the event, the decline in consumer prices by less than two per cent (mainly due to foodstuffs) was sufficient to reduce the observed rate of consumption outlay at current prices. Public consumption expenditure continued to accelerate in 1969. The slower growth of total consumption expenditure and the decline in investment outlay were paralleled by a slight decline in the total value of imports.

Production and exports

Commodity production[143] in Malaysia accounts for more than five eighths of gross domestic product; in West Malaysia the share is only slightly smaller. Agriculture in turn provides at least half of total commodity production in West Malaysia and nearly two thirds of commodity production in East Malaysia. In both parts of the country, agriculture (including forestry) is heavily committed to export, as is the mining sector. Although the export of manufactures, lumber and plywood in particular, has expanded rapidly in recent years, the share of manufactures in total exports remains small.

[142] The newly initiated Industrial Trends Surveys conducted by the Federal Industrial Development Authority (FIDA) suggest that, while industry in general had "largely recovered from the effects of the disturbances . . . . business confidence is not yet fully restored, judging from a comparison of investment intentions".

[143] As used here, commodity production comprises transportation, power and other utilities and construction as well as agriculture, mining and manufacturing. Estimates are for 1967, at current factor cost.

Table II-2-23. Malaysia: Resources balance, 1966-1969[a]

	M$ million (current prices)				Annual change (per cent)			
	1966	1967	1968	1969[p]	1963-66	1966-67	1967-68	1968-69[a]
Gross domestic product at market price	9,660	9,915	10,472	11,549	7.9	2.6	5.6	10.3
of which: domestic-use sector	5,533	5,930	6,103	6,407	9.9	7.2	2.9	5.0
Imports[b]	3,767	3,736	3,976	3,963	3.7	−0.8	6.4	−0.3
Total supply and use	13,427	13,651	14,448	15,512	6.7	1.7	5.8	7.4
Consumption	7,557	7,868	8,226	8,551	7.5	4.1	4.6	4.0
Private	5,817	6,087	6,335	6,536	5.9	4.6	4.1	3.2
Public	1,740	1,781	1,891	2,015	13.5	2.4	6.2	6.6
Investment	1,743	1,798	1,853	1,819	6.0	3.2	3.1	−1.8
Private	1,152	1,236	1,203	1,150	8.7	7.3	−2.7	−4.4
Public	591	562	650	669	1.5	−4.9	15.7	2.9
Exports[b]	4,127	3,985	4,369	5,142	5.5	−3.4	9.6	17.7
Gross national product at market price	9,418	9,794	10,361	11,247	7.8	4.0	5.8	8.6
Savings								
Gross	1,861	1,926	2,135	2,696	9.3	3.5	10.9	26.3
Net[c]	1,755	1,820	1,992	2,526	12.2	3.7	9.5	26.8
Savings/GNP (%)	19.8	19.7	20.6	24.0				
– – –[c]/GNP (%)	18.6	18.6	19.2	22.5				
Investment/GNP (%)	18.5	18.4	17.9	16.2				
Exports/GDP (%)	42.7	40.2	41.7	44.5				

Source: Statistics Department (appendix to the 1970 Budget).
Note: [a] Revised estimates for 1966-1968; 1969 preliminary.
[b] Merchandise and non-factor services.
[c] Net of foreign transfers.

The rates of growth of agricultural production[144] during 1965-1967 exceeded those in 1960-1965 and plan targets for 1966-1970, both for export agriculture and for domestic-market commodities. Production of major agricultural export commodities (rubber, palm oil and kernel, round timber) expanded at even higher rates in 1968; estimates for 1969 indicate that the production of rubber and palm oil and kernels continued to expand at rates higher than 1968 while timber production expanded somewhat less rapidly. The production of copra increased only slightly in 1968 and declined in 1969; much the same applies to coconut oil. Mediocre performance in copra production was in part a response to unattractive prices in export markets; production capacity is being rehabilitated, with government assistance, but the effects are not yet recognizable in aggregate data. By the third quarter of 1969, coconut oil prices had been stabilized at a level nearly 25 per cent below the peak of the previous year. Domestic demand has generally absorbed a greater share of output when export prices were low or falling.

[144] In physical units. See Malaysia, *Mid-Term Review of the First Malaysia Plan, 1966-1970* (Kuala Lumpur, 1969), table 3-1, pp. 46-47. With some exceptions, data are not available to permit estimation of changes in these indices for the years following 1967.

Though the supply of several agricultural exports is responsive to price, this is less true of the major commodities. Timber exports have generally faced increasing world prices during the 1960s; production and export volumes have responded at rates of 18 and 20 per cent per year respectively during 1965-1968. The output of lumber expanded on average by 13 per cent annually during this period, while export volumes rose by nearly 16 per cent a year. All these rates appear to have slackened in 1969. Because of the long maturation periods of oil palm and rubber trees, supply is generally not responsive to short-term variations in price. In view of the emphasis upon diversification from rubber into oil palm, price developments have, until very recently, been disappinting; by the fourth quarter of 1968 the London price had fallen by nearly half from the 1965 peak. The palm oil price rose moderately during the first half of 1969 and by November was quoted in London at £108 per ton (bulk, c.i.f., sellers) compared with £60 a year earlier. As a result of several years of extensive new planting, palm oil production increased on average by more than 20 per cent per year between 1965 and 1968 and by nearly 30 per cent in the first nine months of 1969 (on the corresponding period of 1968). Export volumes have increased at comparable

rates, allowing for variation in stocks. Given the competition from other oils and the potential threat of synthetic substitutes, a price sustained at the level reached by the end of the year is probably not to be anticipated.

The sharp rise in natural rubber prices during 1968 and 1969 has, with the improvement of tin prices, proven to be an unexpected boon to the Malaysian economy. Rubber production and export volumes have also increased beyond expectations, with the result that export earnings have risen greatly. Production and exports showed increases of 16 and 15 per cent over 1968; export volume in 1969 exceeded one and one third million tons. At an average export price of 68 Malaysian cents per pound in 1969, export earnings were 50 per cent above the total for 1968.

From an annual average price of 70 Malaysian cents per pound, (RSS-1, Singapore) in 1965, monthly prices fell persistently to reach their lowest point for twenty-one years in February 1968. In September 1967, the Malaysian Government entered the market in what appears to have been a successful, though temporary, attempt to stabilize the rubber price; the exercise was not repeated in early 1968. Prices recovered during 1968 and topped 70 cents a pound in March 1969. They continued to rise through August when the monthly average price for RSS-1 exceeded 80 cents. The Government is thought to have entered the market again in October 1969, apparently to attempt to keep the price from slipping too rapidly and on the assumption that demand was still substantial and would recover shortly. By December, the price had become stabilized at about 65 cents per pound, for an annual average of about 69 cents, some 30 per cent above the 1968 annual figure.

The expansion of output both from estates and smallholdings is the result of large-scale new planting and replanting, much of it with high-yielding material, and has occurred in spite of the long-term decline in prices. In West Malaysia (which accounts for 95 per cent of Malaysian rubber production), smallholder output made up 48 per cent of the total in 1969, compared with 42 per cent in 1960.

For technical as well as economic reasons there is no clearly discernible response of estate production to year-to-year or shorter-term changes in price. By contrast, the supply of smallholder rubber appears to be price-elastic, though only in periods of rising prices. The prospect of continued decline in rubber prices in the long term will therefore be accompanied by increased output. If individual operators are to survive, their costs must be cut by technical improvements or by institutional change. Subdivision of estates and Federal Land Development Authority (FLDA) settler schemes are contrasting examples of changes already in progress. Current development in tapping methods and chemical stimulation appear to be markedly labour-saving,[145] an economic necessity since wages on estates are the largest component of prime costs. Estate employment has declined fairly persistently as planted acreage and replanting activity have decreased; some redundant estate labour has doubtless been absorbed in the smallholder sector, particularly in connexion with subdivision.

Efforts to improve the quality of smallholder rubber continue; government agencies have begun to establish central processing facilities for the production of technically-specified Standard Malaysian Rubber (SMR) and private enterprise is being exhorted to do the same.[146] In 1968, the output of SMR furnished less than 8 per cent of total rubber production in West Malaysia; the share in 1969 fell short of the expected 12 per cent but 20 to 25 per cent is foreseen in 1970.

In an effort to co-ordinate the marketing of rubber and to stabilize rubber prices, the Malaysian Government has taken the initiative to organize natural rubber producing countries. The Association of Natural Rubber Producers was established in October 1967 and a further conference was held in May 1968, but no public announcement of a stabilization scheme has yet appeared. In July, Indonesia and Malaysia agreed to co-operate in marketing and price stabilization of rubber and a number of other common export commodities.

After rubber, the second largest fillip to export earnings during 1969 came from exports of tin. Even at the beginning of the year the magnitude of price increase was unexpected, though the supply position vis-à-vis increased world demand led to the stipulation of a five per cent increase in export quotas for the last quarter of the year. By the September 1969 meeting of the International Tin Council, Singapore prices had risen to M$640 per picul from the low point of M$550 a year earlier. Malaysia's share of the total export quota was kept at 47.2 per cent, amounting to a curtailment of perhaps five per cent of capacity production and some stocks of tin concentrates were permitted to accumulate. At the December ITC Meeting, export controls were reliquished, formally from the first of the year and *de facto* from early December 1960. Sales of some 6,000 tons had been made from the buffer stock during the year without discernible effect upon prices. With the announcement of the termination of export controls, the Singapore price rose temporarily to over M$700 per

[145] For example, the innovations in latex collection which sharply reduce tapping frequency. See the statement of Enche Mohamed Khir Johari, Minister of Commerce and Industry, at the opening of the 1969 Planters' Conference, reported in IRSG, *International Rubber Digest*, October 1969.

[146] Tun Tan Siew Sin, chairman of the Capital Investment Committee, quoted in *Straits Times*, 6 September 1969.

picul; with an estimated 5,000 tons remaining in the buffer stock and a considerable lag before producers' stocks could reach the market, sustaining the high level of price could depend upon a decision of the American General Services Administration to withhold its reported 25,000 tons. Depletion of currently accessible deposits has raised Malaysian production costs over the last several years and, even at the marketed increased prices of 1969, the number of mines in operation has fallen slightly. Recent off-shore prospecting in Malaysian waters indicates that new supplies may be made available in the foreseeable future.

Other exports have, on the whole, been satisfactory and made a modest contribution to the total expansion. Production and exports of iron ore rallied moderately in 1969, after a continuous decline since 1965 as deposits have become depleted; competition from Australian ores in the major Japanese market has meant generally falling prices though there was some improvement in 1969. Competition from other producers has contributed to harder markets and somewhat lower prices for tinned pineapple exports; increased output in 1969, however, has not been sufficient to increase export earnings. Except for lumber, data are not available to trace the course of exports of manufactured goods. Indications are that veneer and plywood exports have continued to expand rapidly, though the volume is still small. Broadly defined, manufactured goods exports comprised perhaps 12 per cent of total export values for West Malaysia in 1968. As is emphasized by the *Mid-Term Review*, there is considerable potential for the manufacture for export of goods based upon domestic raw materials, wood products, rubber products and manufactures using vegetable oils as inputs.

Data for the first nine months for the whole country and the full year for West Malaysia suggest that gross export values in 1969 were a little more a quarter larger than in 1968, for a total of more than M$5,000 million.[147]

Production for the domestic market

The expectation of government planners has been that physical output of agricultural products for domestic use would, on average, increase somewhat more rapidly than export production. Performance in 1965-1967 was uneven, however; at the close of 1968 it appeared that "locally-produced per capita supplies of several foodstuffs were moderately lower in 1967 than in 1965."[148] Virtually the only major activity to show rapid growth was fishing; in 1968 the landed catch increased by some 17 per cent or about half the rate of increase in the two preceding years. The production of padi in West Malaysia in 1967/68 recovered from the low level of the previous season to an increase of some 13 per cent (in terms of milled rice). The crop increased by about 13 per cent in 1968/69. Since the early 1960s, the main source of the increase in output has been extension of acreage, particularly in the Muda area. This extension reflects the growth in the irrigated area, which rose from [illegible] acres [illegible] of all harvested acreage in 1963 to [illegible] acres in 1968, [illegible] per cent. When the plan envisages an additional 170,000 acres will be added each year in 1970 with the completion of two major projects in the Muda River project area in the state of Kedah in mid-1969. A specialized institution, Bank Pertanian (Agricultural Bank), has been established to provide adequate credit facilities for farmers in the area. Efforts are being made to ensure the availability of physical inputs. A further expansion of the area will be completed by 1971, adding another [illegible] acres for double-cropping. Construction has started on the Kemubu irrigation project in Kelantan, expected to a Yield Bank loan. When completed this project is expected to increase the double-cropped area by [illegible] acres.

It has been possible gradually to reduce or [illegible] imports into West Malaysia in recent years. In the 1967/68 season, domestic rice accounted for some three-fourths of the total supply of rice; the proportion was less than 60 per cent in 1968/69. In East Malaysia, where production accounted for somewhat more than half of the total supply, imports have been an important source in the [illegible] of self-sufficiency. The double-cropped acreage is [illegible] to be some 13 per cent of the total [illegible]. Current programmes are aimed at a [illegible] expansion of the double-cropped area in the [illegible] years.

In 1967, the manufacturing sector in [illegible] Malaysia [illegible] capital of [illegible] West Malaysia, [illegible] manufacturing, provided nearly 12 per cent of gross domestic product (at current factor cost). West Malaysia rubber processing is [illegible] about [illegible] per cent and [illegible] [illegible] of commodity production. Expansion has been rapid, though the base is small, at an average annual rate of nearly 11 per cent in 1963-1968 and [illegible] per cent in 1967-1968.

Manufactured goods for mass consumption in the form of beverages and tobacco accounted for nearly [illegible] of the value of all manufacturing in 1967. Other products, mainly [illegible]

[147] The *Mid-Term Review* (table 1-7, p. 22) anticipated an increase of just over 2 per cent, though estimates made at mid-year suggest a figure of M$4,600 million, or an increase of 17 per cent in 1969.

[148] *Mid-Term Review*, p. 46.

[illegible]

[illegible]

[illegible]

Table II-2-24. Malaysia: Balance of payments, 1965-1969

(in million Malaysian dollars)

	1965	1966	1967	1968	1969[a]
Exports (f.o.b.)[b]	3,752	3,808	3,679	4,064	4,892
Imports (f.o.b.)[b]	3,226	3,249	3,202	3,404	3,350
Merchandise (net)	526	559	477	660	1,542
Freight, insurance (net)[c]	−187	−192	−197	−216	−223
Travel, other services (net)[d]	−161	−169	−164	−166	−212
Government, n.i.e. (net)	225	189	155	145	90
Non-factor services (net)	−123	−172	−206	−237	−345
Investment income (net)	−255	−271	−145	−138	−320
Transfers (net)	− 58	−106	−143	−143	−170
Private (net)	−195	−196	−185	−180	−209
Government (net)	137	90	42	37	39
Current account balance	90	10	− 17	142	707
Long-term capital account	250	191	241	224	322
Private (net)	150	169	130	161	150
Government (net)	100	22	111	63	172
Official short-term capital	116	− 11	−183	—	—
Reserves (— = increase)	−139	167	242	20	−550
Official	− 36	134	51	95	n.a.
Commercial banks	−103	33	191	115	n.a.
Errors and omissions[e]	−317	−357	−283	−386	−479

Source: Statistics Department.
[a] Preliminary estimates.
[b] Adjusted.
[c] Includes other transportation.
[d] Includes non-monetary gold.
[e] Includes private short-term capital movement.

in part offset this drain but their level has diminished sharply since 1965 and the end of Singapore's contribution to the Federal exchequer.[156]

The more important leakage is that of property incomes received by non-nationals; this flow of current receipts and repatriation of liquidated investments waxes and wanes with the fortunes of the export sector, by and large, though a minor portion is generated by investments in industry.[157] Offsetting a part of this outflow are receipts of earnings on the country's foreign exchange reserves.

The current account balance turned surplus in 1968 after a series of years of deficit broken by surpluses in 1965 and 1966. Expectation of a large increase in 1969 follows from the magnitude of the rise in export earnings.[158]

"On the whole," reports an official source, "Malaysia's non-monetary sector's long-term capital account has always been in substantial surplus, sufficient to finance whatever deficits . . . have arisen and, at the same time, enabled the country to build up a sound reserves position and a strong currency."[159] During the 1960s, no discernible trend is shown in the long-term (non-monetary) capital account; for the 1961-1963 period the average annual inflow of long-term capital was greater than during any comparable later period. There have been, however, structural changes of some significance. On a net basis, private long-tem capital inflow[160] has declined during the 1960s, in both absolute and relative terms. The share of private capital in total net capital inflow had fallen in 1967-1969 to five ninths, from a share of four fifths in 1961-1963 and two thirds in 1964-1966. The official explanation for the decline in the net inflow of private long-term capital cites the climacteric in the development of the traditional export industries, rubber and tin, the repatriation of some British plantation investment after 1966 and "the fact that substantial foreign investment in the industrial sector has already been made."[161]

Official long-term capital has more than doubled over the period. Market loans increased in relative importance (on a gross basis) in the years 1965-1967 and again in 1969.

Savings and investment

The ratio of savings to GNP for Malaysia has been relatively high (see table II-2-23) at about one fifth of GNP in recent years. The ratio is reduced appreciably when net transfers to the rest of the world are excluded. It is apparent that the rate of savings tends to fluctuate with the performance of the export sector. As noted earlier, investment income payments to abroad vary in similar fashion. Investment as a share of GNP has declined persistently for several years, from a high of 19.7 per cent in 1962 to 16.2 per cent in 1969 (preliminary estimate). Investment expenditure appears no longer to respond to any great extent to the fortunes of the export sector, in part because of the not inconsiderable policy-determined share of investment outlay, but perhaps more importantly because of the apparent climacteric in the traditional export-oriented sectors of economic activity.

The *Mid-Term Review* speaks of the necessary changes which will "ultimately break the link between private investment and year to year changes in exports." (pp. 26-27) It would appear that the

156 As a result of Singapore's separation from the Malaysian Federation in 1965.

157 This items includes undistributed profits accruing to non-residents; the balancing item appears in the capital account as an inflow of foreign direct investment. See Bank Negara Malaysia, *Quarterly Economic Bulletin*, II:1 (March 1969), p. 38.

158 From 1961 through 1968 the growth of merchandise exports slightly exceeded that of imports; this relationship obtains as well when non-factor services are included in the comparison. The important dynamic factors in the negative current account balances were thus the outflow of investment income, the decline in government n.i.e. receipts and in government transfer receipts. For a rather different emphasis, see *ibid.*, p. 43.

159 *Ibid.*, p. 45.

160 A substantial portion of this figure is comprised of ploughed-back profits, generally in the same or related economic activity; hence the direct link between export performance and investment. *Ibid.*, pp. 38, 44.

161 *Loc. cit.*

rupture has become a *fait accompli.* What is not yet clear, however, is that new links have been forged which will ensure that private savings and investment will be generated from other sectors of activity. It is precisely this challenge which is the purpose of the newly constituted Capital Investment Committee under the new industrialization policy.

It is clear that the new policy emphasis upon protection and import substitution along lines mapped out by the planners may have considerable attractiveness. It will take time, however, to develop viable industries; with reasonable success, the process should become cumulative. To do so, the new industries must be capable of generating meaningful surpluses for re-investment, ploughing back profits into the business as has been done in the plantations and mines in the past. In this way, the generation of savings becomes linked with the growth of investment opportunities. When the next development plan is drawn up, the new planning framework may have to be adapted to this requirement, rather than the old parameters which depend so heavily upon the continued expansion of earnings from primary products exports.[162]

Money, finance and prices

The export boom has had salutary effects on the central government budget; increases in revenue collections during the first nine months of 1969 ran more than 13 per cent higher than in the previous year. Income tax collections (on 1968 incomes) and export taxes on rubber accounted for the bulk of the increase. With continued high prices for rubber and tin, it is likely that ordinary revenue will considerably exceed budget estimates. Recurrent expenditure for the first three quarters was marginally greater than in 1968 but well below budget estimates. Expenditure for development purposes was, in turn, far below budget estimates and 1968 outlays. The anticipated over-all deficit was therefore markedly reduced. It appears that development expenditure rose sharply during the fourth quarter. Doubtless recurrent expenditure increased as well, in large part due to increased spending on defence and security as the withdrawal of British forces proceeds.[163] The over-all deficit was financed solely by borrowing, mainly from domestic sources. Some 40 per cent of gross borrowing went into official reserves.

Another major effect of the improvement in Malaysia's balance of payments position during the export boom of 1968/69 is seen in its influence upon money supply and private sector liquidity. The decline in the supply of money which began in 1967 continued through the first half of 1968. From mid-year, money supply increased sharply and continued to rise at a lower rate during the first nine months of 1969. In part offsetting the expansionary effect of the foreign sector, negative changes in net claims of the banking system on both the public and the private sectors occurred during the five quarters ending September 1969. The substantial increase in fixed and savings deposits was mainly responsible for the reduction in net claims on the private sector, and the liquidity of that sector increased quite considerably in this period.

Loans and advances have continued to increase, though at slower rates, possibly as a reflection of the improved financial position of the private sector, in turn the result of the export boom.[164] A high degree of liquidity has also characterized the position of the banking system. Bank holdings of Treasury bills and government securities have risen substantially during the boom period. Investment by the banks in long-term government securities has been encouraged by the 1968 regulation requiring the banks to maintain at least 50 per cent of their savings liabilities in either housing loans or such securities. As a precautionary measure, because of the high degree of bank liquidity, the central bank stipulated an increase in the reserve ratio from 3½ per cent to 5 per cent of total deposits, effective from 16 July 1969.[165]

Malaysia has enjoyed domestic price stability for many years, in large part because of the openness of the economy and the Government's cautious fiscal and monetary policies, intended to ensure the continued competitiveness of its exports in world markets. Import prices, particularly of rice, have caused some fluctuation in domestic price levels during the last few years and some consumer prices have risen in response to increased excises and import duties. The retail price index for West Malaysia rose by four per cent in the export-recession year of 1967, mainly due to increased food prices. In 1968, the general retail price level rose insignificantly and declined in 1969 by something more than one per cent, again almost entirely the effect of falling food prices, chiefly rice.

The marked rise in the prices of major exports during the current boom, concomitant with the decline in domestic prices, cannot but have raised significantly

[162] For an evaluation of current plan orientation, see Lee Soo Ann, "Financial Planning of Investment in Malaysia", *Malayan Economic Review,* XIV:1 (April 1969), pp. 49-64.

[163] One supplementary budget appropriation of M$22 million allocated to defence and security was announced in December. This raises marginally the 20 per cent share of this item in the aggregate budget. See *Straits Times,* 24 December 1969.

[164] See Bank Negara Malaysia, *Quarterly Economic Bulletin,* 11:2 (June 1969), p. 102. Among the major sectors in the classification of loans and advances, only manufacturing shows an increase in the rate of expansion of borrowing between the years ending in June 1968 and June 1969; when borrowing by rubber products manufacturers and tin smelters is excluded, there is no increase in the rate. (See table 1.8, p. 146).

[165] *Ibid.,* p. 107.

the internal market terms of trade.[166] Although the estimates are necessarily crude, the suggested relationship is consistent with the decline of private investment and the probable slackening of growth in production for domestic use. The improvement in the internal terms of trade for exports vis-a-vis the rest of the economy would suggest, in relative terms, a retardation in the growth of incomes in non-export sectors. Any lag in the diffusion through the economy of the rapidly rising export-sector incomes would reinforce such a tendency; the apparent failure of export-generated profits to be invested in the economy at large will contribute to the retardation. An increase in investment income payments to abroad as a result of increased export earnings, contributes as well.

Unemployment and development policy

The disturbances of May 1969 drew attention to the failure to generate adequate opportunities for the employment of the growing labour force. The fact that unemployment was increasing was already acknowledged in the budget speech of January 1969. In June, the National Operations Council, established under the Emergency Regulations, announced its new industrial development strategy, marking a distinct change of emphasis in its focus upon the unemployment problem and the need for rapid industrial development. The unemployment problem was succinctly described in the 1969 budget speech:

> Provisional results from a sample survey conducted during the period June 1967/May 1968 suggested that the rate of unemployment in West Malaysia, expressed as a percentage of the labour force, was 6.8 per cent compared with 6 per cent in 1962 when the first nation-wide survey was carried out. The highest incidence was in the age groups 15 to 19 and 20 to 24 where current unemployment rates were as high as 26 per cent and 14 per cent respectively . . . The rate of unemployment in the rural areas was 5.4 per cent compared with 5 per cent in 1962. In urban areas, the rate of unemployment is particularly high. The recent survey of six major urban areas in West Malaysia indicated that the unempolyment rate in such areas was 11.2 per cent in 1968 compared with 9.6 per cent in 1962.[167]

The new industrial development strategy clearly reflects a sense of urgency and promises an intensification of government efforts.[168] In addition to its new emphasis on the creation of employment opportunities in labour-intensive industries, the new strategy proposes to encourage industrial development in the less-developed sections of the country and in economically depressed areas. The newly established National Corporation is designed to encourage Malay participation in commerce and industry. An accelerated programme of industrial training is to be instituted and efforts are being made to improve the co-operation between the central government and those of the states and between the government and the private sector. A "second front" in this new strategy emphasizes the intensification of land development to absorb unemployment and continued efforts for the diversification of agriculture.

A Capital Investment Committee has been established as the organization responsible for the co-ordination of activities under the new strategy.[169] The Committee's terms of reference include the review of current policies and programmes of industrial development for the purpose of co-ordination and integration at state and national levels; the identification of development priorities and formulation of policy guide-lines and incentive measures, and the direction of implementation of development policy in collaboration with government departments and state governments.[170] The Committee has taken the initiative in collaboration through visits of its members to interested private business groups in various parts of the country.[171]

The process of specific investment promotion involves not only the identification of potentially viable industries, on the basis of pre-investment studies, but also the stipulation of specific incentives (tax concessions, tariff protection and export incentives) available to entrepreneurs who are interested in establishing enterprises in the selected lines. The intention of the Government is to intensify the process of import substitution and to encourage a higher

[166] Price indices for exports, imports and the external terms of trade are available through 1967 for West Malaysia only. A rough estimate of the change in export prices, based on six major exports and 1968 export value weights, shows a decline of perhaps 8 per cent in export prices in that year and a rise of as much as 15 per cent in 1969. Import prices may well have declined marginally in both years, moderating the decline in the external terms of trade in 1968 and reinforcing its increase in 1969. Although imports of rice account for an approximate 5 per cent of total retained imports, the sharp fall in the price of rice in the latter part of 1968 and 1969 must have had a discernible effect on the import price index. If so, this helps to explain the decline in the total value of imports during 1969.

[167] Malaysia, Ministry of Information, "The 1969 Budget" (9 January 1969). Subsequently, a government statement cited a 6.6 per cent unemployment rate in 1967 and a figure of 200,000 unemployed in 1968 or 1969. See *Malaysian Digest*, 1:8 (14 October 1969), Tun Tan Siew Sin.

[168] See Malaysia, *A New Industrial Development Strategy* (Kuala Lumpur, July 1969).

[169] Under the chairmanship of the Minister with Special Functions, previously Minister of Finance, the Committee includes the Ministers of Commerce and Industry, National and Rural Development, Lands and Mines and the Assistant Minister of Finance, assisted by senior officials from several departments and other government bodies concerned with development.

[170] *Ibid.*, p. 8.

[171] *Ibid.*, pp. 9-11. See also Capital Investment Committee, "Progress Report . . . . as at 31 December 1969" (mimeo., Kuala Lumpur).

degree of processing of primary products for export. To this end, tariffs and quota restrictions are being increased for selected imports and taxes will be imposed on unprocessed export products.

Implementation of the new approach has already begun. With the selection based on the list of feasible industries and commodities compiled by the Federal Industrial Development Authority (FIDA), additional industries or products eligible for the inducements included in the 1968 Investment Incentives Act were announced in September. This selection represents processing of domestic raw materials, most importantly timber. Also in September, new or increased import duties were imposed on a score of commodities, including processed foods, rubber products, metal products, pumps and internal combustion engines, telephone apparatus, toys and small craft.[172] Producers of these items will also be considered for other inducements under the Act; the duties will be reviewed after a reasonable length of time, presumably to permit assessment of their effectiveness. In December, announcement was made of a further list of industries and products proposed for eligibility for income tax exemption, investment tax credit, and/or export incentives. Represented in this group are chemicals, paper, metal, rubber and non-metallic mineral products, motor vehicle parts,[173] radio equipment, electrical apparatus and appliances, watches and clocks, and canned sea-food. Similarly derived from the list of FIDA recommendations, the bulk of these appear to be import substitutes while a few may be intended primarily for export.

Regulation of labour. The decision to launch a new and aggressive campaign for industrial development has been followed by complementary measures relating to labour and industrial relations. These include the revision of the law relating to labour organization and industrial relations, regulation of the eligibility of aliens to obtain and continue gainful employment in Malaysia and the creation or expansion of institutions which increase employment opportunities directly.

In October, the changes in the law of industrial relations were announced as having been "designed to maintain a manageable labour force, attract new investment and create more employment opportunities."[174]

Work permits. A more direct attack on the unemployment problem has been mounted by attempting to shift its incidence. New regulations issued in late August stipulated that non-citizens must register for work permits. Withdrawal on technical grounds of citizenship papers held by approximately 250,000 persons was announced in early November. These measures were subsequently modified, however, to facilitate the granting of citizenship to persons born in Malaysia and to allow auotmatic renewal of work permits to those who had applied for citizenship. Termination of non-renewable permits was postponed and non-citizens were allowed to retain their jobs if there were no Malaysian citizens to fill them.

Direct absorption of unemployed youth, to number 3,000 at the start, was coupled with the intention to develop both discipline and skills in the National Youth Development Corps.

New directions

The Mid-Term Review of the First Malaysia Plan and the Investment Incentives Act of 1968 show clear signs of an incipient shift in emphasis in Malaysian development policy. This shift is confirmed and reinforced by the new industrial development strategy of 1969. Inequality in income levels, social amenities and educational opportunities remain and are still the focus of government policy. In large part these disparities reflect regional and sectoral differences in economic development. Since the disturbances of May 1969, the inequality implied by large-scale urban unemployment has attracted official recognition; the new sense of urgency in attacking this problem has given rise to the new industrial development policy. In it the attack on urban unemployment through industrialization is linked with the necessity to create employment opportunities in rural towns as well. The other major emphasis, land development, resettlement and the diversification of agriculture, has much longer antecedents in Malayan planning.

The export boom of 1968/69 has made easier the task of redirection and reorganization of planning and policy. The political expedient of creating the National Operations Council has provided the vehicle for the reorientation of policy. The first steps have been resolutely taken, but much remains to be done. The new course of import substitution and the promotion of manufacturing for export will require a new *modus vivendi*, particularly in relation to the private

[172] Effective rates of protection appear to be high on some products in the list currently being produced in Malaysia, for which available data permit an estimate of the rate of duty on value added: on chocolate confectionery, nearly 500 per cent; canned fruit, 300 per cent; biscuits, 250 to 300 per cent; furniture, 70 to 200 per cent; bolts and nuts, 70 per cent; builder's hardware (hasps, hinges, etc.), 50 per cent, and for small ships, 50 per cent. Allowance for duties on imported inputs has not been possible, hence the rate of duty on value added exceeds the effective rate of protection to some extent. For production data: Department of Statistics, *Survey of Manufacturing Industries in West Malaysia, 1967*.

[173] Malaysia has in the last two or three years established an automotive assembly industry, consisting of eight establishments, to supply an estimated annual demand for 24,000 passenger and commercial vehicles and 30,000 scooters and cycles. By mid-1969 an investment of M$45 million in facilities to produce motor vehicle components topped the nearly M$40 million investment in assembly operations. FIDA has identified sixty-six specific automotive components considered feasible for domestic manufacture. Legislation is being drafted to require an increasing proportion of domestically manufactured content in the assembled vehicles, to be encouraged by tax penalties. See *New Industrial Strategy, op. cit.*, pp. 19-20.

[174] See *Malaysian Digest*, 1:8 (14 October 1969) and Malaysia, *Government Gazette*, vol. 13, No. 21, Acts Supplement No. 68 (9 October 1969), P.U. (A) 406-409.

sector. The framework for co-operation is rapidly being established, but effective co-operation, with the Government in unchallenged control of the direction of development, will require new and definitive measures. Under the new industrial strategy the Government "will take the initiative in industrialization and, if necessary, will participate in the establishment of industries."[175] The examples of China (Taiwan) and the Republic of Korea demonstrate that the state can do so without sacrificing the predominance of private capitalism. Despite relatively high average per capita incomes, the Malaysian market is limited and industrial resources are not abundant. It is therefore important for Malaysia to work together with neighbouring countries for mutual advantage in economic affairs. It may be hoped that economic arrangements within the Association of South East Asian Nations will develop as an important part of the growing movement towards regional co-operation.

Nepal

Introduction and summary

Notwithstanding geographical difficulties, Nepal has made notable strides in economic development since 1956 when development efforts were initiated in a plan framework. The first plan period (1956-1961) was marked by the high priority given to education and health; implementation of infrastructural projects was given somewhat lower priority. The second plan (1962-1964) and the third plan (1965-1970) were broader in scope and investment in infrastructure was pursued vigorously, along with the development of productive sectors. The third plan was revised in September 1968 in the light of experience gained in the first three years of the plan period. The revision entailed some downward adjustments of targets although the basic objectives and priorities were retained. Nepal is on the eve of its fourth plan (1970-1975) which lays particular emphasis on improving the agricultural sector together with the development of power, transport, industry, tourism and overseas trade.

In the absence of adequate statistics, estimates of national income can only be in terms of probable order of magnitudes. GDP at current prices for the years 1964/65, 1965/66, 1966/67 and 1967/68 are placed at N Rs 5,883 million, N Rs 6,805 million N Rs 6,384 million and N Rs 7,664 million respectively. At constant prices, GDP was estimated to have increased by 6.8 per cent during the three-year period. As population growth is in the range of 2 to 2.4 per cent per annum, growth in per capita income in hardly perceptible. With a population of some 11 million, per capital income may amount to about N Rs 750.

[175] Tun Abdul Razak in *A New Industrial Strategy, op. cit.*, p. 3.

In 1965, a long-term perspective was established and a target set for doubling the national income in fifteen years. On the assumption of a 2.4 per cent annual growth in population over the period 1970-1980, that would result in a 62 per cent increase in per capita income by 1980. The fourth plan (1970-1975) envisages a growth rate of 4 per cent in GDP. If the target for 1980 is to be achieved, subsequent plan periods should be geared to an accelerated growth rate.

In spite of the impressive progress such as that in road building and construction of irrigating canals and power plants, coupled with significant industrial development and agricultural growth, Nepal is faced with a number of problems, many of which can be traced to its unfavourable geographical position and topographical structure. The Government, therefore, is called upon to play a major role, together with foreign aid, to ensure the success of economic development targets. An assessment of Nepal's achievements and future problems should therefore be done in the light of the physical obstacles which confront Nepal's planners.

The ability of the Government to raise taxes is limited by geographical considerations. Nepal's ability to derive the full rate of revenue from international trade taxes is hampered by the length of its border with neighbouring countries and the difficulties encountered in checking and taxing the movement of goods across the border. High import taxes, as experienced during 1966-1968 to support the new exchange rate, only made for increased and large-scale evasion. Also, many areas in Nepal are in virtual isolation from the central Government and an effort to tax such areas would not be commensurate with the yields expected.

Secondly, the low per capita income, coupled with the non-monetized character of a large part of the economy, renders mobilization of tax revenues harder. As a result, public investment expenditure has largely been met by foreign aid sources, committed to specific projects. This does not make for the ideal pattern of public investment expenditure.

Other problems arise from Nepal's being a landlocked country. Diversification of trade, by commodity as well as in direction, therefore occupies a prominent place in Nepal's current economic policy. To the north, Nepal borders on China and, to the south, on India. In practice, however, trade with the People's Republic of China (except the border trade with Tibet), is conducted though Calcutta as it takes at least twenty days to transport goods from Tibet to commercial centres. To the southwest, Nepal is separated from East Pakistan by a small stretch of Indian territory. Although an agreement has been

signed between Nepal and Pakistan on trade and transit, it has so far not been implemented and Nepal's trade with the outside world is conducted exclusively through Calcutta.

Yet another constraint on development in Nepal is the fact that the hills in central Nepal and the mountains in the north occupy about 75 per cent of the area where two thirds of the population live. Until 1956 practically no roads existed in this area. In the hills, infrastructure means footpaths and suspension bridges. Thus transportation costs remain prohibitively high, hampering economic development. The Tribhuwan rajpath, which links Kathmandu with the Indian border and was built with Indian aid, was completed in that year. Since then, a road linking Kathmandu with Kodari on the Chinese border has been built with Chinese aid.

The density of population in the hills is almost five times that of the terai and terracing is common even on the steepest mountain sides. Intensification of agriculture under those conditions is difficult to achieve, and mechanization, even in the simplest sense, can be ruled out. The reason for the low density in the terai is that, until the malaria eradication programmes became effective, large areas in this part of the country were virtually uninhabitable. Meanwhile, population pressure in the hilly region is mounting, as the population grows at an annual rate of over 2 per cent and the average cultivable area per farm-family is only 0.55 ha.

Agricultural development also suffers from another, unexpected threat. Nepal has a sizable surplus of rice which it exports to India. If India achieves success in its foodgrains self-sufficiency programme, this may effect Nepal's exports of rice. Diversifying agricultural exports to third countries presents problems of transit and transport costs.

The Government's attempts to encourage import-substituting as well as export-promoting industries have been promising. However, the problems of transportation, lack of skills and difficulties in exporting are hampering faster growth. In infrastructure development, the problem is that of lack of subsequent ancillary investment to utilize the completed projects fully.

Nepal's foreign exchange reserves have been increasing during the last few years and stood at about US$77.8 million in mid-July 1969. This was partly due to the increase in exports, encouraged by the foreign exchange entitlement scheme. According to available data, Nepal's debt service burden will not be as serious as in other developing countries of the region, because, so far, Nepal has made very little use of foreign loans. Debt service in 1969 was only $1.8 million. In 1970 it will be $1.3 million, but after that it will not rise beyond $700,000 a year.

Nepal is increasing its efforts to mobilize domestic resources for development. However, it should be noted that while Government recurrent expenditure has grown at an estimated 12 per cent annually, normal growth of revenue has not exceeded six per cent per year. Private investment activities in agriculture and industry are encouraged by the Government. The experiment in compulsory savings in agriculture had to be suspended this year because of administrative difficulties.

Agriculture

Although agricultural production showed an upward trend during the first four years of the current five-year plan, the growth rate has not come up to expectations. The current five-year plan (1965-1970) has set a target of 15 per cent increase for foodgrains production and 75 per cent for cash crop production. The actual percentage increase over the first four years of the plan are 9 and 27 per cent respectively. Agricultural commodities make up the majority of Nepalese exports. Rice accounts for over 50 per cent of exports and price increases in India in the past have been a major source of increasing incomes in Nepal. Rice production has increased irregularly during the current plan period: 1965/66: 2,207 thousand tons; 1966/67: 2,007 thousand tons 1967/68: 2,217 thousand tons and 1968/69: 2,315 thousand tons.[176] Wheat production rose from 175 thousand tons in 1965/66 to 290 thousand tons in 1968/69 (preliminary estimates). Thus, although there are signs of a breakthrough in wheat production, especially in the Kathmandu valley and some districts of the eastern terai, rice production, which accounts for 65 per cent of total foodgrains, did not experience a significant breakthrough and in 1968/69 was only 5.2 per cent above that of the first year of the current plan.

Nepal's main export, rice, is threatened on two counts. One is the increasing success of India's foodgrains production drive (although, at the time of writing, India's success has been mainly confined to wheat production whereas rice production has not yet improved significantly over 1964/65). Secondly, domestic production of rice is not increasing fast enough and, on a per capita basis, growth in production did not match growth in population. What is needed is the diffusion of the "Green Revolution" in Nepal as well as the easy flow of rice within Nepal itself, especially between the rice-surplus and rice-deficit districts. In the mountain area, mechanization is ruled out, as even the use of bullocks is precluded by the steepness of the land. Land preparation and other necessary operations are done by human labour using hand tools. As the third plan recognized, the

[176] Data supplied by the Nepalese authorities.

mountain regions and the hills should concentrate on animal husbandry, fruits and vegetables, while the terai should be the main producer of foodgrains and cash crops.[177]

Recently the Ministry of Land Reform was established as a separate ministry (previously, it was a unit under the Ministry of Land Reform, Food and Agriculture). The Ministry of Land Reform administers the implementation of the Land Reorganization Act of 1962, which specifies the ceiling on net cropland for individuals, varying acccording to the region from 16 ha in the terai to 4.1 in the mountains and 2.8 hectares in the Kathmandu valley.

An interesting feature of the Land Reorganization Act is the institution of compulsory savings. Under this system the farmer must deposit 86 kg of foodgrains or 58 rupees per ha (the absentee landlord pays 38 rupees and the tenant 20 rupees. These deposits are collected by the village panchayats and deposited with the Land Reform Savings Corporation where they earn 5 per cent interest. After five years, deposits will be refunded in cash or in government bonds or Agricultural Bank shares. The Agricultural Bank was established in January 1968.

Because of administrative difficulties and, in some cases, lack of storage space, about 47 per cent of compulsory savings had not been collected up to 1967/68. In mid-April 1969, the savings system was suspended awaiting the completion of a new accounting system that would avoid shortcomings in implementation.

The increase in the supply of fertilizers and improved seeds has not had any large-scale effect on rice production, but wheat production, has increased significantly in recent years. Although the supply of fertilizers increased in 1968, the consumption of fertilizers rose from practically zero to only 0.6 kg per ha. Considering that, for most traditional varieties, fertilizer response only starts to fall off at about 40 or 50 kg of nitrogen per ha and, for high-yielding varieties, the response increases more steeply and does not begin to fall off until 100 kg or more, Nepal has a significant potential to exploit through increased fertilizer inputs.[178] With a view to modernizing agriculture, efforts were made to increase the use of fertilizers, improved seeds and modern equipment.

Not more than half of the reported reclaimable waste land can be converted into new cultivated land, most of it will be more suitable for pasture. The Land Resettlement Company of the Government, however, has successfully transformed some forest land in the terai into cropland and distributed the land to eligible farmers migrating from the densely populated hilly regions.

Industrial policy and production

The promotion of industrial production is more difficult in Nepal than in other countries because of high internal transport costs and few known mineral and other basic resources. Other inhibiting factors are insufficient supply of managerial skills and skilled labour and a limited domestic market. In some cases, high domestic production costs make its products less competitive in international trade.

In order to encourage industrial development, the Nepal Industrial Development Corporation was set up in 1959 with two main objectives: to provide equity and loan capital for industrial firms and to provide general promotional services for industrial development. Direct loans outstanding were Rs 34.4 million in mid-July 1967 rising to Rs 35 million in mid-April 1969. Most loans were granted to the hotel industry, followed by sugar, transportation, jute, printing and light engineering. Apart from granting loans, the NIDC itself invests in industrial development, such as the establishment of industrial estates.

Nepal's industrial policy is moving towards selectivity. The Government now encourages the establishment of industries using domestic raw materials, in preference to those using foreign materials. To this end, an Industrial Enterprises Act (amendment) was passed in 1969 providing for the classification of industries into four categories, A, B, C, D according to their priority scale, with category A obtaining the best promotional privileges.

[177] *Third Five-Year Plan*, p. 27.

[178] FAO, *State of Food and Agriculture, 1967*, p. 83.

Table II-2-25. Nepal: Production of principal industries, 1962/63 to 1968/69

	1962/63	1963/64	1964/65	1965/66	1966/67	1967/68	1968/69
Jute (tons)	18,831	16,587	19,035	17,603	12,386	12,179	3,429[a]
Sugar (tons)	1,922	1,609	7,300	9,912	4,410	3,279	9,656[b]
Cigarettes (million units)	237	303	414	636	954	1,150	1,027[a]
Matches (1,000 boxes gross)	390	380	361	444	465	424	261[b]
Textiles including synthetic (1,000 yards)	6	124	1,093	1,421	2,305	2,739	2,783[a]
Stainless steel utensils (tons)	—	—	—	232	381	738	2,032[c]

Source: Ministry of Industry and Commerce Nepal.

[a] Data for eight months. In the case of jute, the data relate to only one of the two mills.

[b] Data for nine months.

[c] Data for seven months.

Category A includes industries which produce import-substitute or exportable goods and basic industries, such as cement, fertilizers and agricultural implements. Category B encompasses tourism and cottage industries. Category C includes several processing industries, such as ghee and bristle, while Category D consists of industries that import raw materials with convertible foreign exchange and export finished goods.

In spite of the fact that industries in category D receive the lowest form of privileges under the act, such industries have apparently flourished in the last few years and their products found such a ready market in India that India has had to impose quantitative restrictions on their importation. Nepal has now agreed to stabilize production of these commodities and restrict their export to India to the level of 1967/68. Nepalese manufacturers have complained that the limitation was set far below production capacities.

Industries in category D were encouraged by the import entitlement scheme which, in effect, instituted a dual exchange rate.[179] Import entitlements carry a premium of as much as 100 per cent because of the possibility of re-exporting imported commodities to India, often after a token amount of processing has been done, as in the case of synthetic fibres and stainless steel utensils. The rapid growth in production of these goods is shown in table II-2-25. In 1968/69, uncertainties with regard to the revision of the treaty with India in 1970 depressed the production of these commodities.

It is obvious that Nepal's comparative advantage in manufacturing such commodities lies mainly in its having a more liberal foreign exchange scheme than that prevailing in India. These problems require to be solved in the interest of regional co-operation in that area, since all trade, except a small amount of border trade with Tibet, has to pass through India.

Category B industries are also growing fast. In the first nine months of 1969, the number of tourists was 41 per cent higher than in the same period of the previous year, excluding Indian and Pakistani nationals. Foreign exchange income from tourism has increased from an average 5 per cent of total invisible receipts in the period 1962-1965 to 12.5 per cent in 1966-1968.

The most successful among the import-substitution industries are sugar refining and tobacco processing. Appropriate tariffs and more effective control over unreported trade would assist the important textile industry for domestic consumption and, in turn, improve Nepal's trade balance. Another possibility for import substitution is cement and a cement factory is being considered.

Among industries based on domestic raw materials but mainly producing for export, the jute industry is the most important but is beset with problems. Output of jute goods in 1966/67 fell to 12,191 tons or a full 30 per cent less than in the previous year, and remained at the same level in 1968/69. Complete data for the 1968/69 fiscal year are not available yet but indications are that the industry is not yet out of its difficulties. The Nepal Rashtra Bank has formed a committee to conduct a detailed survey of the marketing and financing of the jute industry. In order to encourage the indusry, the Government has increased the percentage of import entitlement bonus on foreign exchange earnings from the export of jute goods to 55 per cent in the case of hessian and 65 per cent for gunny bags, from the previous 45 per cent in both cases. Other important industries include the rapidly growing forest-based industry, grain milling, animal products, and some minerals, although surveys undertaken in this field have not been very promising. Forest-based industries, such as plywood, paper and paperboard, are being considered in addition to timber and sleepers which are already exported to India.

Infrastructure. The one field in industrial development in which Nepal has a distinctive advantage is the availability of potential cheap power in vast quantities. The Karnali Project, for instance, has a potential capacity of 1.8 million kW, compared with present generation capacity in Nepal of about 25,000 kW. This project could be developed to the mutual advantage of Nepal and India. Electric power generating capacity is to be expanded to 51,000 kW by the end of the plan period.

Nepal has made remarkable progress in road-building, especially because of the availability of foreign aid (mostly grants) from the People's Republic of China, India, the USSR, the United Kingdom and other countries. Before the beginning of the first five-year plan in 1956 there were only 624 km of roads in the entire kingdom, of which 368 km were fair-weather roads. During the third plan (1965 to 1970), a total of 1,604 km of roads is expected to be built, including 720 km of all-weather roads.

In the south, a highway is being built from Mechi in the east to Adhawar in the west; it is expected that this highway will be about half completed by the end of the third plan. To complement the east-west highway, several penetration roads will be built from the north to the south; two of these roads have now been completed.

[179] See section on International Trade for the working of this system.

An unique feature of aid for road-building provided by the People's Republic of China is the method of financing the local costs. A wide array of consumer goods is supplied to Nepal on a grant basis and these goods are sold in Nepal by the Government's National Trading Company. Proceeds from the sales are then used to finance the wages and other local costs of aid projects.

The rapid development of roads needs to be accompanied by a similar programme for feeder roads and ancillary programmes for developing agriculture are needed to reap the full benefits of road construction.

The same problem exists in irrigation. The large irrigation projects which have been implemented need ancillary investment for their full utilization, but it is rather difficult to induce aid-givers (most aid comes in the form of grants) to invest in less glamorous projects, such as feeder roads or follow-up water management programmes. Furthermore, there has not been enough private industry to take advantage of the power projects being built by the Government and the Government itself may have to take a more active part in the industrialization process.

International trade and the balance of payments

Nepal's import and export trade is predominantly with India. However, as trade with India is not fully recorded, and even the recorded trade returns come in very late, estimates of India's share of the total trade vary, but it is generally believed to be around 90 per cent. Nepalese exports to third countries have grown at a rapid pace, from about $3.2 million in 1965/66 to $8.9 million (or about NRs 89 million) in 1967/68. Imports from third countries, as officially recorded, are US$7.2 million (or about NRs 72 million) in 1967/68.

In the fiscal year 1968/1969, exports to countries other than India during the first two quarters were $5.92 million. At an annual rate of $11.84 million, this is 33 per cent above that of the previous year. Imports of goods from countries other than India, were $3.37 million. At an annual rate of $6.74 million, this was 7 per cent lower than the previous year's rate. Nepal's external reserves have therefore been accumulating rapidly. Total external reserves (gold and foreign exchange reserves) increased from NRs 463 million at mid-December 1967, to NRs 778 million at mid-July 1969, (about US$77.8 million). Taking only convertible foreign exchange reserves and gold, the figure in the same period rose from NRs 399 million to NRs 586 million (or about $58.6 million), equivalent to about eight years of imports from countries other than India.

Foreign aid (defined to include only grants) is expanding rapidly; in 1969/70 the country expects a total of NRs 329.3 million, compared with NRs 214.2 million received in the previous year. India heads the list with NRs 166.3 million, but since 1968/69, the People's Republic of China has replaced the United States as the second largest donor. These countries will provide NRs 76.7 million and NRs 66.6 million respectively.

Nepal's total external debt, which includes private supplier's credit and debt repayable in Indian currency and Nepalese rupees, amounts to only $4.74 million; including undisbursed aid, it is $7.1 million. Of the disbursed figure, the Indian rupee debt (including that received from USAID and from the Government of India) was $2 million.[180]

Exports to third countries have been artificially expanded, and are also indirectly dependent on Nepal's exports to India. The reason for rapid expansion of such exports lies in the import entitlement scheme introduced in 1962/63. The import entitlement is non-negotiable and is divided into two parts; 60 per cent can be spent without restriction and the other 40 per cent may only be spent on development goods. In practice, however, the list of development goods is so large that the difference between the two becomes rather academical. Most of the "free" import entitlement is used to obtain high-value goods, such as cameras and watches. Even the other 40 per cent can be spent on goods such as stainless steel and synthetic fibres.

Nepal has explored the possibility of exporting via East Pakistan from which it is separated by a narrow strip of the Indian state of West Bengal. In January 1963, Nepal concluded an agreement with Pakistan on transit rights through Pakistani territory. A railroad from East Pakistan, through Radhikapur in West Bengal, ends at a Nepalese railhead on the border, but the question of transit rights on this railroad has yet to be settled between Nepal and India.

Prices and the money supply

Over the period from July 1968 to July 1969, the money supply rose from N Rs 617.8 to N Rs 723.7 million, an increase of 17 per cent. This compares with an annual rate of increase of 11.4 per cent between 1965 and 1968. The proportion of demand deposits in total money supply remained at the same level as in 1965, at about one third. This probably reflects the increasing monetization of the rural areas which use more currency than demand deposits and a lower growth in credits to enterprises which utilize banking facilities. As commercial banks increased their interest rates on deposits in 1966, fixed and savings deposits increased significantly, but commercial bank loans did not increase proportionately. As a result, commercial banks invested their surplus funds in government bonds.

[180] Official Nepalese sources.

In June 1966, Nepal Rashtra Bank holdings of Indian currency were N Rs 240 million but with the devaluation of the Indian rupee, they automatically dropped to N Rs. 153 million. As Nepal did not devalue immediately, there was an initial price advantage for Indian commodities, despite the high tariffs in Nepal on such goods. By November 1967, Indian rupee holdings fell further to N Rs. 41 million and free convertibility was threatened. On 11 December 1967, the Nepalese rupee was devalued by 24.75 per cent and, since then, the downward trend in holdings of Indian currency has been reversed. The devaluation of the Nepalese rupee was accompanied by the removal of additional surcharges on various import items which were levied after the Indian devaluation; consequently, smuggling activities have declined. Holdings of gold and other foreign currencies of the Central Bank also increased steadily after devaluation. In January 1969, holdings of Indian currency with the Nepal Rashtra Bank (at the new exchange rate) were back to about N Rs 120 million.

Savings and fixed deposits have experienced a rapid upward trend. In March 1969, such deposits amounted to N Rs 132.9 million, compared with a level of only N Rs 90.9 million in March 1968. The Government is taking measures to utilize the banking system to centralize the savings efforts being made in various other institutions. Thirty-four bank offices are planned for all districts which lack banking facilities. A Banking Development Fund has been established financed by profits set aside by the Rashtra Bank and commercial banks, to meet the initial losses expected during the first three years from the establishment of branches in unprofitable localities.

It is noticeable that the people are increasingly interested in savings in the form of government development bonds. The Government started floating development bonds in 1963/1964 when it issued N Rs 13 million worth of bonds bearing 6 per cent interest and maturing in five years. During 1967/68 and 1968/69, there were new issues of long-term bonds, amounting to N Rs 10 million and N Rs 20 million respectively, and, by March 1969, these bonds were almost fully subscribed.

During 1968/69, the price level seems to have remained stable and the unweighted national price index reached 147.75 (base 1961/62=100) at the end of the third quarter as compared with 147.81 at the same time in the previous year. In fact, during the period there was a decrease of 20 per cent in the price of foodgrains and of 27 per cent in the price of pulses and declines in other food prices as well. Only commodities purchased from India, such as kerosene and cotton, experienced an upward movement in prices. Price increases varied from region to region, rising fastest in the terai and slowest in the hills.

The Government budget and the five-year plan

On 30 June 1969, the budget for the fiscal year mid-July 1969/mid-July 1970 was presented to the *Rastriya Panchayat* (national assembly). Fiscal year 1969/1970 is the last year of the third five-year plan and a considerable increase is envisaged in the development budget.

Table II-2-26 shows the trend in expenditure and sources of finance. Most conspicuous is the projected jump in development expenditures which is to increase by 55.1 per cent in 1969/70 compared with an increase of 39.5 per cent in the previous year. Expenditure on economic services will go up considerably, by 57.7 per cent. Several factors account for this large increase. One is the considerable boost in infrastructural development to be financed by foreign grants which, as table 26 shows, will increase by 53.7 per cent in 1969/70, after having increased by a significant 35.5 per cent in the previous year. Another factor accounting for the large rise is the desire to meet the financial targets of the plan.

Table II-2-25. Nepal: Summary of expenditure and sources of financing, 1967/68, 1968/69 and 1969/70

(in thousands of Nepalese rupees)

	1967/68 Actuals	*1968/69 Revised estimate*	*1969/70 Estimate*
Expenditure			
Total expenditure	461,972	593,726	840,959
Regular	180,789	201,500	232,750
Development	281,183	392,226	608,209
Sources of financing			
Revenue	325,979	400,194	442,266
Existing sources	—	—	427,966
Tax proposals	—	—	14,300
Foreign grants	158,114	214,245	329,274
Surplus or deficit (—)	22,121	20,713	−69,419
Other sources			
Foreign loans	—	—	12,521
Internal loans	10,000	19,600	20,000
Cash balance (surplus = —)	−32,121	−40,313	36,898

Source: Budget Speech for the fiscal year 1969/1970.

The table shows an expected over-all cash deficit of N Rs 37 million, after accounting for an internal loan of N Rs 20 million to be floated during the year. The cash deficit will be met from accumulated cash reserves, as the last two years showed a combined budget surplus of N Rs 73 million. The relative price stability, as measured by the unweighted price index, has probably prompted this bold decision. It should be noted that ordinary revenue sources are to yield only N Rs 428 million and the additional revenue of N Rs 14 million will be met from new tax proposals.

In the development budget, expenditure on road-building is to rise by 44 per cent as the construction of several priority roads will be expedited. Expenditure on aviation will rise from N Rs 3 million to N Rs 35 million; the increase is mainly for the purchase of aircraft and the extension of a runway and navigational aids at Tribhuwan airport to boost tourism. Expenditure on agriculture will also increase by N Rs 31.7 million (or 142.8 per cent), mainly for the implementation of special irrigation projects, additional grants to the Agricultural Supply Corporation, and share participation in the Agricultural Development Bank. A 124.6 per cent increase in electricity expenditure, or N Rs 30.4 million, is primarily for the Sunkosi Project and for the operation of the Trisuli Project at full capacity.

Of the total development budget of N Rs 608.2 million, foreign aid (grants and loans) will finance N Rs 341.8 million, or 56 per cent, compared with 54.6 per cent in previous years. In 1969/70, the Government will therefore be called upon to finance the balance of N Rs 266.4 million, an increase of N Rs 127.6 million, or 60 per cent, over the previous year.

Government revenue, on the other hand, shows an inflexible character. Last year's large increase was caused mainly by an increase in customs receipts. Income taxes are still very low, and were only N Rs 14.7 million in 1968/69, projected to increase to N Rs 16.2 million in the 1969/70 fiscal year. This constitutes only about 3.5 per cent of the total revenue. It should be noted that Nepalese tax rates are comparable with those of other countries and there is limited scope for further tax rate changes.

A major source of tax revenue is land taxes which were N Rs 86 million in 1968/69 but will rise only to N Rs 86.5 million in 1969/70 and account for about 25 per cent of the total revenue. A new land tax structure will probably be introduced in the fourth plan. Studies have already been made on this subject.

At present, a major source of revenue remains untapped, as the numerous government enterprises which are supposed to contribute to the government budget fail to do so. Lack of managerial skills and, in the case of utilities, lack of a policy of full-cost pricing, are the main reasons for this failure. When their managerial skills and pricing systems are improved, these enterprises will provide an additional source of revenue for the Government.

Pakistan

Pakistan entered the final year of its third five-year plan in July 1969, after achieving a growth rate of 5.2 per cent in gross national product (GNP) in the plan year 1968/69. Although this growth rate was well below and record performance of 7.5 per cent of the preceding year, it was higher than the average growth rate of 1965/66 and 1966/67. The slowing down in the growth rate is not unexpected because agriculture accounts for almost half of GNP and the phenomenal increase in agricultural production of 1967/68 could not be repeated. In addition, abnormal floods in East Pakistan severely damaged the agricultural production of that region. The annual plan for 1969/70 has set the target growth rate of GNP at 6.5 per cent. If this rate is achieved, the average annual growth rate of GNP over the third plan period will be close to 6 per cent.

In respect of relative growth rates in the two wings of the country, provisional estimates indicate a growth rate of 6.8 per cent 1968/69 in West Pakistan, principally due to satisfactory progress in agriculture. In East Pakistan, the growth rate was only 2.6 per cent (as against 8.6 per cent in the preceding year), the main reason being the destruction of crops by floods. The annual plan for 1969/70 aims at a growth rate of 7 per cent in East Pakistan and a growth rate of 6 per cent in West Pakistan.

GNP in 1968/69 is valued at Rs 51 billion (at constant factor cost of 1950-60). With an estimated population of 125 million, the per capita gross income is placed at Rs 408 ($85). The increase in per capita gross income over the preceding year is shown at 2.3 per cent, on the basis of the increase in population at 2.7 per cent. In respect of the two regions, current West Pakistan per capita gross income is about Rs 500, and that in East Pakistan, about Rs 300.

Over the four-year period 1965-1969, the increase in real consumption is estimated at 20 per cent. Adjusting for a 12 per cent increase in population over the period, per capita consumption rose by 8 per cent, that is, a little less than 2 per cent per annum. The increases in income and consumption, however, tended to be unevenly distributed between regions and income groups.

> There are substantial increase in production of major crops in West Pakistan. A large proportion of this increase was consumed at the farm and some of the benefit was passed on to the urban consumers in the form of lower prices of foodgrains during the last two years. However, scarcities of other items of urban consumption had developed during the period which led to increase in their price. The urban consumers, particularly in the fixed middle income groups, experienced a squeeze in their consumption. In East Pakistan the growth in income was much lower and there was continuous shortage of foodgrains. There was therefore little increase in per capita consumption in that region.[181]

[181] Government of Pakistan, Planning Commission, *Annual Plan 1969/70*.

Fixed investment, as a proportion of GNP, declined from 14.1 per cent in 1967/68 to 13.3 per cent in 1968/69. Public sector development expenditure in 1968/69 is provisionally estimated at Rs 4,937 million (as against the annual plan target of Rs 5,700 million), which suggests a modest rise over the figure of Rs 4,690 million in the preceding year. The reduced flow of external assistance and inadequate domestic resources for development together account for the low rate of fixed capital formation. Whereas the expectation of external assistance was of the order of Rs 2,580 million, the actual amount available and utilized is placed at Rs 2,410 million (49 per cent of total expenditure). In respect of domestic resources, shortfalls appeared in the anticipated excise and sales taxation receipts owing to the slower pace of expansion in industrial production. Flood relief in East Pakistan, the price support programme, subsidies of foodgrains, and increases in the salaries of government employees, were the major factors necessitating a significant expansion of current expenditure. As a result, the combined current revenue surplus is estimated at Rs 2,261 million in 1968/69 as against Rs 2,363 million in the preceding year. The annual plan for 1969/70, however, aims at a public sector development programme of Rs 5,300 million, that is, an 8 per cent increase over the year 1968/69, with the expectation of foreign resources financing 44 per cent of the total. The combined current revenue surplus is expected to rise to Rs 2,562 million as a result of vigorous additional tax efforts, in spite of a sizeable expansion in non-development expenditure.

The total public sector development expenditure in 1968/69 was Rs 4.9 billion, with East Pakistan accounting for 55 per cent and West Pakistan for 45 per cent. The annual plan for 1969/70 envisages a total expenditure of Rs 5 billion with 53 per cent in East Pakistan and 47 per cent in West Pakistan.

Fixed capital formation in private private sector showed a modest increase from Rs 4,472 million in 1967/68 to Rs 4,562 million in 1968/69 at current prices, an increase of 2 per cent as against the annual plan target of 10 per cent.

> The developments during the year, however, adversely affected the climate for private investment in the country. The disturbed conditions during November-March period culiminating in considerable labour unrest in March probably slowed down the pace of work on existing projects besides affecting new investment decisions in the economy. Apart from these abnormal factors, it appears that the availability of loanable funds with the credit institutions—both foreign exchange and rupee resources—was inadequate to sustain the planned increase in the level of private investment.[182]

[182] *Ibid.*

In respect of relative growth rates of private sector investment in the two wings, West Pakistan private investment in 1968/69 was Rs 3,368 million as against Rs 3,317 million in 1967/68, and that of East Pakistan, Rs 1,153 million as against Rs 1,111 million. As to the relative shares of the two wings in total private investment, West Pakistan accounted for 74 per cent and East Pakistan 26 per cent.

The Government of Pakistan is currently engaged in implementing a series of measures aimed at improving labour-management relations and guaranteeing minimum wages, allowing a freer flow of imported raw materials, enlarging credit supplies to the private sector, and evolving an incentive mechanism for selective investment.

The performance of exports in 1968/69 was encouraging, with the recorded export receipts of the first nine months showing a 14 per cent increase over the corresponding period of the preceding year. Indications were that the year as a whole would show an increase of 10 per cent. The increase in export earnings envisaged for 1969/70 is of the same order as the previous year. Imports in 1968/69 showed an increase of 6.5 per cent over the preceding year, with non-project assistance utilized principally for the import of agricultural inputs.

Over the decade, the economy has progressed considerably towards diversification in the composition of GNP, with the share of agriculture declining from 53.3 per cent in 1959/60 to 45.5 per cent in 1968/69 and that of industry moving up from 9.5 per cent to 12.1 per cent.

Agriculture

Whereas the over-all growth rate of the agricultural sector in 1968/69 was 3 per cent (2.1 per cent for major crops only), the aggregate increase resulted from counter-balancing changes in the two wings of the country.

West Pakistan produced 6.8 million tons of wheat and 2.1 million tons of rice in 1968/69, registering an increase of 8 per cent and 40 per cent respectively over the preceding year. The increase in the yield of wheat per acre was 7 per cent (as against 32 per cent in the previous year); but the improvement in yield in respect of rice was striking, recording an increase of 35 per cent over the preceding year. This was mainly caused by the extension of the area under the IRRI varieties whose yields are three times those of local varieties.[183] The annual plan for 1969/70 set a target of 7 million tons of wheat and 2.3 million tons of rice. The wheat target has been more recently

[183] Yields of International Rice Research Institute (IRRI) varieties were reported to be 33.38 maunds per acre as against 11.38 maunds for local varieties in 1967/68.

revised to 7.5 million tons, with perceptible trends of increased wheat consumption following the implementation of minimum wage policies.

The combined effects of intensive use of fertilizer, improved seeds, and expansion of tubewell irrigation, brought about through Government support and incentives since early 1967, have transformed West Pakistan from a deficit to a surplus region in terms of foodgrains. The region is close to achieving the revised self-sufficiency target of 7.5 million tons of wheat set for 1970, and has already surpassed the 2 million tons target set for rice. The area under mexi-pak wheat rose from 2.4 million acres in 1967/68 to 6 million acres in 1968/69 and is expected to extend over an area of some 10 million acres, essentially under irrigated conditions, in the near future. These developments appear to assure that West Pakistan will be able to maintain self-sufficiency in foodgrains even in years of unfavourable weather, and afford export surpluses in normal years.

The rapid response of the farmers to the incentives, the speedy adaptation of new agricultural practices with full comprehension of lasting benefits, and the substantial gains in agricultural incomes have already led the Government to review its policies in respect of incentives (which involve sizeable budgetary expenditure), and investigate the possibilities for mobilizing rural savings. When the Foodgrains Self-Sufficiency Programme began early in 1967, the incentives included a support price of Rs 17 per maund for wheat and Rs 19 and upwards per maund for rice, a subsidy of about 35 per cent for fertilizers and 75 per cent for plant protection, exemption from duty on imported agricultural machinery and concessionary rates for the use of water and power. As the yield per acre of mexi-pak wheat, during 1967/68, was registered at 25.8 maunds as against 9.02 maunds for the local variety, and the area under mexi-pak wheat is expanding at a fast pace, there is little doubt about the rapid rise of agricultural incomes in West Pakistan.

The 1969/70 budget has levied a 5 per cent customs duty and sales tax at a standard rate on imported agricultural machinery and implements, and water and power rates have been raised. However, policies have yet to be crystallized in respect of the gradual withdrawal of support prices and subsidies for inputs.

Although the wheat and rice surpluses of West Pakistan will be absorbed by the eastern wing for some years to come, and increases in the export of fine rice can be expected to continue, the main areas for future agricultural development tend to lie in maize, cotton and oilseeds. Currently, maize is cultivated over an area of 15 million acres and the production is 700,000 tons. Hybrid varieties account for just under 30 per cent of the total acreage. It is estimated that with half the acreage under hybrid varieties, maize production could be doubled provided there is an assured water supply. Cotton production has increased in the past four years from 2.01 million tons to 2.96 million tons, with improvement in yields from 2.7 maunds to 3.3 maunds per acre. Exports of cotton have risen from Rs 287 million in 1964/65 to Rs 442 million in 1967/68, and cotton manufactures from Rs 189 million to Rs 417 million. As yields are improving, it appears that an extension of cotton cultivation would be highly rewarding. Currently, Pakistan is importing about half of its edible oil requirements (mainly under PL480). The Government's objects of self-sufficiency in this regard should result in a substantial expansion of oilseeds production, which is 250,000 tons at present.

In East Pakistan the damage done to rice and jute crops by floods in 1968/69 was so severe that there was a decline in value added in the agricultural sector by 0.5 per cent from the preceding year. Production of rice fell from 10.99 million tons to 10.90 million tons, and jute maintained the past year's level at 5.90 million bales. Production of rice has been almost stagnant over the past six years, with the basic *Aman* crop showing no change, and the *Aus* crop, which accounts for one quarter of total production, showing only a slightly upward trend, subject to annual variations. Only the *Boro* (winter) crop has shown significant growth from 0.51 million tons in 1963/64 to 1.35 million tons in 1968/69 at an average annual rate of 18.6 per cent. The Government is vigorously pursuing its efforts to expand winter irrigation through the use of low-lift pumps and tubewells. Over the year 1968/69, 20,000 mobile lift pumps were brought into service with each pump set to irrigate an average 50 acres of land. An additional 40,000 pump sets are expected to go into operation in 1969/70. The Thana irrigation schemes under rural public works are also expected to intensify their sinkings of tubewells. Apart from difficult natural factors, the generally small-sized holdings and limited financial resources of the farmers have been responsible for the rather slow spread of improved agricultural practices. The distribution of fertilizers over the first ten months of 1968/69 amounted to only 81,000 nutrient tons as against the target of 175,000 tons. However, the Government expects to distribute 135,000 tons in 1969/70.

The annual plan for 1969/70 envisages an increase in rice production to 12.3 million tons, and an increase in jute to 7 million bales. The increase in rice production of the order of 12.8 per cent is visualized on the expectation that natural conditions will be normal and *Boro* production will rise by one third over the 1968/69 level. The chief task in East Pakistan is to increase agricultural production as rapidly as possible, even before the floods which occur almost every year can be reduced to manageable pro-

portions. The main hope appears to lie in the success of current experimentation in introducing monsoon varieties from IRRI that can withstand floods.

Industry

Industrial production witnessed a growth rate of 6 per cent in 1968/69 with growth in large-scale manufacturing at 7.6 per cent (as against the annual plan targets of 8.2 per cent and 10.5 per cent respectively); the corresponding growth rates were 6.2 per cent and 7.4 per cent in West Pakistan and 5.7 per cent and 7.6 per cent in East Pakistan.

The short falls in the realization of expected growth rates appear to have been caused by a combination of factors: principally, the reduction in the inflow of imported industrial materials and spare parts, the policy of selective expansion of industrial capacity, and the labour unrest and strikes which were responsible for the loss of 8 to 10 working days in the year.

Sugar production in 1968/69, at 384,000 tons, registered an increase of 18 per cent over the preceding year. However, with the estimated decline in sugar production from 91,000 tons to 58,000 tons in East Pakistan, the increase has been affected wholly in West Pakistan where sizeable additional capacity is being installed. The expectations are that, in 1969/70, West Pakistan production of sugar will reach 450,000 tons (well above the third plan target of 410,000 tons) and reduce the dependence on sugar imports that has been necessary for the last two years. The utilization of the capacity will depend, however, on the success with which sugarcane production is expanded and supplies flow in to the mills. Recent experience appears to suggest that the supplies are largely governed by the interaction of the free market prices for refined and coarse sugar.

Jute manufactures in 1968/69, at 52,400 tons, recorded an increase of 6.7 per cent, a rate lower than expected, partly attributed to the disruption of power supply that was caused by a torando. Production in 1969/70, however, is expected to rise by 50 per cent over the preceding year, with a higher rate of unit export earnings consequent to the recent shift in favour of larger hessian production and additional installation of broad looms. Cotton textiles, at 776 million yards, registered only slight progress in 1968-1969 but the industry is fully meeting domestic demands and earning foreign exchange well above its own requirements for expansion and the Government is therefore giving special attention to the substantial enlargement of the industry in 1969/70. Phenomenal expansion was witnessed in textiles of man-made fibres, with a rise in production from 74 million square yards in 1967/68 to 124 million square yards in 1968/69, an increase of over two thirds. Further growth may pose some problems because of the heavy dependence on imported raw materials. Paper and board production, at 114,000 tons in 1968/69, rose by 9.4 per cent and is expected to reach 200,000 tons in 1969/70. Nitrogenous fertilizer production should witness a substantial expansion in 1969/70 with the completion of new facilities and reach 1.3 million tons (ammonium sulphate), as against 404,000 tons in 1967/68.

Over the third plan period, Pakistan has made significant beginnings in the capital goods manufacturing sector, with the establishment of Chittagong steel mill and assembling units for locomotives, wagons, trucks and buses. Production capacity of Chittagong steel mill is expected to reach 250,000 tons in 1970. That year should also mark the completion of assembly units for machine tools and diesel engines with imported components and the operation of certain electrical engineering industries. The heavy engineering complex being set up at Taxila with the collaboration of the People's Republic of China is expected to start its trial production.

The annual plan for 1969/70 has set a target of 10 per cent growth rate in the manufacturing sector, with an acceleration in the growth rate of large-scale manufacturing to 12 per cent, rates significantly higher than the actual performance in 1968/69. The strategy is to concentrate on a relatively small number of key industries that account for a large part of the increase in industrial production and utilize to better advantage the installed industrial capacity.

The crucial element in realizing these rates of growth is the availability of imported industrial materials in adequate quantities, in view of the fact that even industries essentially based on domestic raw materials have a sizeable import component. An estimate of the import requirements for full utilization of the capacity existing at the end of 1966 indicated that, out of a total Rs 2.3 billion imports of industrial materials, Rs 1.3 billion was needed for predominantly domestically-based industries. A working group examining the import requirements for increasing industrial production by 12 per cent in 1969/70 estimated "that the total import bill in current prices for the entire manufacturing sector works out at Rs 2,475 million out of which approximately 2,000 million will be required for the large-scale manufacturing in the private sector".[184]

Monetary developments and the price situation

Although the rate of growth in GNP was lower in 1968/69, monetary expansion during the year was much faster than in 1967/68, with monetary assets

[184] *Annual Plan, 1969/70.*

increasing by 9.6 per cent as against 7.1 per cent in the previous year. The rise took place largely in the form of currency in circulation which increased sharply by Rs 898 million to Rs 6,783 million. The expansion of currency in circulation reflects the rise in money incomes in rural areas where currency is still the dominant form of holding monetary assets.

The main expansionary influence came from the government and foreign sectors which expanded by Rs 1,279 million and Rs 600 million respectively, the domestic private sector accounting only for Rs 131 million.

Bank credit to the government sector rose by Rs 287 million to Rs 1,174 million in 1968/69, whereas credit to the private sector fell by Rs 874 million to Rs 8,211 million. A large part of government borrowing went to food stocks accumulation. The decline in bank credit to the private sector in 1968/69 (notwithstanding the State Bank of Pakistan's relaxation of credit controls and pursuit of a more liberal monetary policy) appears to have resulted from, among other factors, the lower level of inventories and greater selectivity in the sanction of new investments. The marked expansion of credit to the government sector reflects the shortage of rupee resources faced by the Government for the last few years, accentuated by the decline of foreign assistance (particularly under the PL480 programme, reducing the generation of counterpart funds), food stock-building operations, and shortfalls in anticipated current revenue.

The price situation during 1968/69 was marked by divergent trends. Wheat prices in West Pakistan were generally lower while rice prices in East Pakistan moved upwards. On an annual average, the price index for wheat was 14 per cent lower in 1968/69 compared with the previous year, but the price index for rice rose by 9.9 per cent. In East Pakistan, the increase was 11.3 per cent. The average of the general index of wholesale prices (1959/60=100) registered an increase of 5.8 per cent in 1968/69 in contrast to a fall of 4 per cent in 1967/68. Whereas the rise in West Pakistan was only 2.8 per cent, East Pakistan witnessed an increase of 8.8 per cent. Shortage of rice in East Pakistan evidently was the dominant factor accounting for the rise of 5.3 per cent in the sub-index for food; but the sub-indexes manufactures and raw materials also witnessed increases of 6.3 per cent and 9.7 per cent respectively.

In view of the continuing upward trend in rice prices in East Pakistan, in addition to the supplies of 400,000 tons of foodgrains from West Pakistan to the eastern wing, imports of 1.1 million tons helped to control the food price situation. It is reported that, over the first half of 1969/70, there was a perceptible reversal of the trend in foodgrains prices in East Pakistan.

External trade and balance of payments

Foreign exchange receipts from merchandise exported during 1968/69 accounted for Rs 3,226 million compared with Rs 2,950 million in 1967/68, showing a growth of 9.4 per cent. Manufactures accounted for 55 per cent of total exports as against 47 per cent in the previous year. Leather and leather manufactures, cotton manufactures and rice, in particular, recorded impressive rises of 66 per cent, 36 per cent and 15 per cent respectively. (Comparisons are for the first nine months of the year.)

Imports, including aid-financed imports, declined from Rs 3,881 million during the first nine months of 1967/68 to Rs 3,227 million in 1968/69 during the corresponding period, reflecting the decline in aid imports which more than offset the increase financed by the country's own earnings. Moreover, in the year 1968/69, Pakistan entered into a series of fresh trade and payments agreements for exchange of goods with the People's Republic of China, Ceylon, Yugoslavia and other East European countries, and North Korea.

The balance of payments recorded an over-all surplus of Rs 507 million during the first nine months of 1968/69 in contrast with the deficit of Rs 38.6 million in the corresponding period of 1967/68. The shift from deficit to surplus reflected a sizeable improvement in the goods and services account, partly offset by declines in transfer payments and net capital inflows. A notable feature is the growth in the amount of remittances by Pakistanis working abroad, which rose from Rs 212 million during the first nine months of 1967/68 to Rs 364 million during the corresponding period of 1968/69. Gold and foreign exchange reserves at the end of the first nine months of 1968/69 showed an increase of Rs 558 million over the corresponding period of 1967/68, including drawings of Rs 195 million from IMF.

External assistance

Actual disbursements of external assistance in 1968/69 amounted to $500 million as against the anticipated $625 million. The Consortium pledges were only $391 million as against the expectation of $500 million, the main shortfall appearing in non-project assistance. However, the aid pipeline at the beginning of 1969/70 was placed at $1,000 million, about the same as at the beginning of the preceding year.

For the final year of the Third Plan (in 1969-1970), Pakistan requested the Consortium for fresh pledges of $500 million which has been fully endorsed by the Consortium. The actual availability from Consortium, however, is expected to be at least $450 million, of which about $200 million will be in the form of non-project assist-

ance. This level of non-project assistance is less than projected requirements, but shows a marked improvement over the previous year when the amount pledged as non-project assistance through the Consortium amounted to $122 million only.[185]

Debt-servicing charges as a ratio of foreign exchange earnings moved up from 13.1 per cent in 1966/67 to 16 per cent in 1968/69, and are expected to reach nearly 18 per cent in 1969/70.

Fiscal policies and public sector financing

The total financial resources requirement for the public sector economic and social development programme of 1969/70 has been placed at Rs 5.3 billion, which is marked by a special allocation of Rs 300 million for the social sectors, in addition to the conventional economic development programme of Rs 5 billion. On the expectation of foreign resources financing Rs 2,354 million (44 per cent), the domestic resource mobilization of the public sector is aimed at Rs 2,946 million. This has meant a vigorous additional tax effort of Rs 670 million, after allowing for deficit financing of the order of Rs 400 million. Of the additional tax efforts of Rs 670 million, the Central Government is expected to mobilize Rs 470 million, West Pakistan Rs 175 million, and East Pakistan Rs 25 million. The new taxes in the Centre are predominantly customs and excises, accounting for 80 per cent of the expected total receipts. Increased railway rates form the major item in the efforts of the two wings, with increased water and power rates constituting an additional item in West Pakistan.

The magnitude of the additional tax effort stands out when it is noted that the sum of Rs 670 million envisaged through additional taxes rests on a tax base that, together with other sources of revenue, would have brought in only Rs 1,876 million at 1968/69 tax rates. As the bulk of the effort is through indirect taxation, realization of the expected magnitude will depend on the ease with which the envisaged rates of expansion in production (of the taxed items) are achieved. The crucial element once again is the availability of the expected quantities of industrial inputs.

Economic and social policies

The years 1968 and 1969 saw significant beginnings in the evolution of new economic and social policies on the part of the Government of Pakistan, based on an awareness that single-minded pursuit of over-all economic growth has the inherent tendency of aggravating social and regional imbalance within the country.

[185] *Ibid.*

It will be recalled that events in 1965, marked by a sudden upward shift in defence outlays and significant shortfalls and hardening of external assistance, led the Government in 1966 to readjust the development expenditure of the third plan period. A shift was made in sectoral priorities with greater emphasis on agriculture, a shift in the use of productive resources away from fixed investment towards current development outlays and fuller utilization of existing productive capacities, and scaling down of allocations for social services.

The accent on agriculture, with the new seed-based technology, had the most salutary direct impact, but, in the process, gave rise to problems in the other related fields. The concentration of financial resources on developing agriculture implied a transfer of resources from the urban to rural areas, both through sizeable subsidies to agricultural inputs and minimum support prices for agricultural products. Thus the new urban-industrial economy, which had hitherto been the main beneficiary of the transfer mechanism through the working of the price system, was obliged to shift its position into a situation wherein it was expected to assist agriculture. Added to this were the declining net flows of external assistance (which had primarily benefitted the urban areas) and the increasing diversion of external assistance into the purchase of agricultural inputs. The consequence was a double squeeze on the urban areas. In addition, notwithstanding improvements in agriculture, migration from rural areas into urban centres continued. The swelling of the urban population in the context of reduced employment opportunities and restraints in expenditure on social services evidently produced some strains towards the end of 1968.

Although the dynamism of private enterprise, encouraged by government incentives, has been an important factor in the rapid rate of industrial development in Pakistan, the concentration of private industrial ownership that has taken place in the process has been a matter of increasing concern to the Government. In the changing context, when capital is no longer shy and the entrepreneurial class is becoming broadly-based (particularly in West Pakistan), the progressive dispersal of industrial ownership and the widening of competitive opportunities for the increasing number of new entrepreneurs have begun to require urgent attention from the Government.

The different levels of economic development in the two wings of the country, largely due to historical factors coupled with divergent natural endowments and demographic pressures, throw into relief the necessity of strengthening policies towards diminishing inter-regional disparities, through special measures for the rapid development of East Pakistan. The pre-

dominantly agricultural economy of East Pakistan, with a population density of 1,233 persons per square mile (as against 187 in West Pakistan), is beset with natural and institutional difficulties that pose a challenge in development planinng. Apart from the natural conditions characterized by frequent floods damaging a substantial part of annual crops, the average size of farm holdings is so small that the efficient spread of agricultural services is made exceptionally difficult. The local entrepreneurial element has not gained enough strength to expand on its own by taking advantage of market opportunities and governmental incentives, the principal reason being lack of adequate private capital to make an effective start.[186]

It is against this background that the Government of Pakistan in its formulation in November 1968 of the main socio-economic objectives of the fourth five-year plan (1970-1975) specifically re-emphasized the objectives of "reducing inter-regional and intra-regional disparity in per capita income, moving towards a viable synthesis between the claims of economic growth and social justice through the pursuit of pragmatic policies, and directing the forces of economic and social change towards the establishment of a just society."

Since March 1969, a series of policy measures has been implemented for the realization of these objectives. A new labour policy, introduced in July 1969, fixed minimum wage rates for unskilled labour which were approximately one third above the prevailing rates. At the same time, the right of collective bargaining and the right to strike were restored. A special fund was established, with an initial contribution from the Government, to provide amenities for labour, especially housing. The new Companies Profit (Workers Participation) Act aims at providing the workers with a share in the profits of the company in which they are employed, thus creating a sense of partnership. In view of the low level of private investment and the inadequacy of equity capital in East Pakistan (and the less developed areas in West Pakistan), an Equity Participation Fund was established through which the Government agencies will give particular attention to small entrepreneurs in these regions. The 1969/70 Budget has earmarked a block allocation of Rs 300 million for development expenditure in the social sector on specific programmes in workers' housing, health, education and other welfare schemes. To meet this expenditure, the Budget has introduced a number of new tax measures that are expected to raise the yield of tax revenue by about 10 per cent. One of the most important of these new measures is a higher tax on capital goods.

The Government of Pakistan is engaged in formulating its fourth five-year plan for implementation with effect from July 1970, with the socio-economic objectives that have already been defined. This will be the first systematic attempt on the part of a developing country to plan for "economic growth with social justice". In view of the intricate problems involved, such as balancing the allocation of resources between current welfare programmes and the fixed-capital formation essential for higher rates of economic growth and the allocation of foreign exchange resources between the maintenance and growth of industrial activities while promoting investment in infrastructure (with a declining share of total foreign financing), the strategy that is unfolded by Pakistan's fourth plan should prove to be of great methodological interest to the other developing countries where similar objectives and problems are likely to call for increasing attention in the course of the 1970s.

The Philippines

The difficulties faced by the Philippines in 1969 continued to pose a major challenge of economic management to the Government. The balance of payments crisis remained acute and the peso came under increased speculative pressure; at the end of the year, new austerity measures were imposed to check the decline in foreign exchange reserves and efforts were continued to convert the mounting short-term debt into medium- and long-term obligations. During the last three years, the Government has worked with considerable success towards several urgent economic goals: continued support of the new varieties programmes in rice and maize cultivation, the implementation of revised priorities for the development of industry, a new tax programme in 1968 and 1969 and the improvement and extension of roads and other infrastructure. Success was partial, however, especially in respect of the taxation programme, less than a third of which was actually achieved.

The inadequacy of government revenues has had several related effects. Attempts to maintain essential services and to invest in infrastructure have led to deficits financed in substantial measure from the banking system and hence potentially inflationary. Lacking fiscal measures to curb domestic demand and the demand for foreign exchange, credit restriction and related monetary measures have of necessity been employed. During 1968 and 1969, import credit restrictions were applied without marked success to

[186] Growth of private investment (in million rupees):

Year	*East Pakistan*	*West Pakistan*
1963/64	548	2,091
1964/65	817	2,613
1965/66	681	2,397
1966/67	819	2,918
1967/68	1,038	3,647

Source: Government of Pakistan, *The Budget in Brief (Final), 1969/70.*

surmount the balance of payments crisis. Although the volume of consumer goods imports has been reduced over the past decade and a half, imports of capital goods must compete with input-imports for foreign exchange. Exceptions to import restraint, necessary for priority investment and production programmes, have lessened the effectiveness of the measures to ward off balance of payments difficulties.

The longer-term economic difficulties faced by the Philippines are, in part, reflected by these short-term problems. So-called second-generation problems spawned by the success of the new varieties programmes, namely credit, mechanization, storage, price support and marketing, and the associated infrastructural needs will require continued effort and public outlay if the initial successes are to be sustained. Export expansion and the reduction of import growth are the basic long-term needs to overcome the balance of payments crisis; both will require substantial effort in redevelopment of export capacity and the restructuring of industry. During the 1960s, the industrial sector (manufacturing in particular) failed to maintain accelerated rates of growth. Structural change in the economy was limited in those years.

Continued refurbishment and expansion of infrastructure, both social and economic, require major increases in government revenue. Current outlays on education and social services continue to rise while the standard of services fails to be maintained. The current inflationary tendency also requires fiscal, as well as monetary, curbs. Unemployment, particularly in urban areas, and an apparently large measure of underemployment in the countryside, are already serious and the annual increment to the labour force is increasing. Though the first steps in the direction of population control are being taken, no impact can reasonably be expected in the foreseeable future.

Availability and disposition of resources

According to preliminary estimates, the aggregate performance of the Philippine economy in 1969 was somewhat less expansive than during 1968.[187] The major elements of difference were a poorer agricultural year, stagnant exports (mainly due to low prices for coconut products and to a poor sugar harvest), a reduction in the rate of import growth, a decline in construction activity and moderate increases in the rate of investment and in industrial output. Real net domestic product grew by 5.3 per cent in 1969, noticeably less rapidly than during 1968. While the output of commerce, services and manufacturing increased at rates slightly higher than in the previous year, agriculture and mining grew more slowly and construction declined. Gross national product (GNP) increased by 6.3 per cent, marginally less than in 1968; at current prices the rate of GNP expansion is estimated to have been 9.6 per cent.

The upward movement of consumer prices during the last half of the year suggests that consumption expenditure at current prices may have increased more rapidly. The rate of investment growth, highly variable from year to year in the past, probably increased moderately during 1969; imports of machinery and equipment continued to rise while investment in construction probably tapered off. Programmes such as the expansion of capacity in sugar milling, steel rolling and copper mining and refining contributed to the growth of investment activity and public capital formation in infrastructure continued. An increased rate of inventory accumulation in 1968 probably continued during 1969 as a hedge against increased import restrictions and a possible devaluation of the peso. Merchandise exports rose only slightly if at all. Net non-factor services turned negative in 1968 and apparently remained so in 1969. Imports continued to expand, though at a reduced rate.

Production growth has shown mild acceleration during the present decade. During the first five years, only mining and construction among the commodity production sectors[188] grew at rates exceeding those of total net domestic product. Since 1965, agriculture and mining have consistently expanded at above-average rates; manufacturing has done so only intermittently. Changes in the structure of the economy have been slight, with an increase in the share of agriculture since 1965. During the 1960s, no major sector of production held a consistently leading position in real output growth. Neither did any component of expenditure consistently impart dynamism to the economy. While there are promising developments in investment in manufacturing and the processing (as well as the extraction) of domestic resources, the process has not been under way long enough to provide statistical evidence of its impact.

In 1968, commodity production provided roughly three fifths of net domestic product;[189] of the former, agriculture comprised more than half, a share that has changed little during the 1960s although it has increased somewhat since 1965.

Agriculture

On the whole, agricultural performance was not outstanding during the 1968/69 crop year. Maize production fell by ten per cent as the result of

[187] National Economic Council preliminary estimates based on data for the first three quarters of 1969, reported in the *Manila Bulletin*, 12 January 1970.

[188] As used here, commodity production includes transportation and public utilities (power, gas, water, etc.) in addition to agriculture, mining, manufacturing and construction.

[189] Slightly above this in current prices and slightly less in constant prices. Unless there is a marked divergence between the two measures, reference is generally to constant-price values.

Table II-2-27. Philippines: Resources balance, 1960, 1965, 1967, 1968 and 1969 (preliminary) (1955 prices)

(in million pesos)

	1960	1965	1967	1968	1969[p]	Growth rates (per cent per year) 1960–1965	1965–1967	1967/68	1968/69[p]
Net domestic product at factor cost	9,979	12,706	14,174	15,028	15,818	5.0	5.6	6.0	5.3
Agriculture	3,138	3,837	4,357	4,712	5,040	4.1	6.5	8.2	7.0
Mining and manufacturing	1,948	2,374	2,707	2,879	3,043	4.0	6.8	6.4	5.7
Construction and other[a]	813	1,121	1,200	1,253	1,255	6.6	3.5	4.4	0.2
Commerce and services	4,080	5,374	5,910	6,184	6,480	5.7	4.9	4.6	4.8
Capital consumption and indirect taxes[b]	1,864	2,196	1,899	1,490	...	3.3	−5.3	−21.5	...
Gross domestic product at market price	11,843	14,902	16,073	16,518	...	4.7	3.9	2.8	...
Imports[c]	1,043	2,293	3,034	3,241	...	17.1	15.1	6.8	...
Total supply and use	12,886	17,195	19,107	19,759	...	5.9	5.4	3.4	...
Consumption	10,312	12,769	13,934	14,761	...	4.4	4.5	5.9	...
Private	9,393	11,389	12,414	13,122	...	3.9	4.4	5.7	...
Public	919	1,380	1,520	1,639	...	8.6	5.0	7.8	...
Capital formation	1,407	2,577	3,000	3,167	...	12.9	7.9	5.6	...
Construction	789	1,321	1,370	1,439	...	10.9	1.8	5.0	...
Durable equipment	437	958	1,366	1,440	...	17.0	19.4	5.4	...
Stock changes	181	298	264	288	...	10.5	−5.8	9.1	...
Exports[c]	1,167	1,849	2,173	1,831	...	9.6	8.4	−15.7	...
Gross national product at market price	11,229	14,734	16,602	17,672	18,792	5.6	6.2	6.4	6.3
Savings									
Domestic[d]	1,416	2,061	1,968	1,537	...	7.8	−2.2	−21.9	...
Domestic (incl. stat. discrepancy)[e]	917	1,965	2,668	2,911	...	16.5	16.5	9.1	...
Foreign[f]	−9	516	1,032	1,630	...	15.5[g]	41.4	58.0	...
Share of GNP (%)									
Investment	12.5	17.5	18.1	17.9	...				
Domestic saving	12.6	14.0	11.9	8.7	...				
Domestic saving (incl. stat. discrepancy)	8.2	13.3	16.1	16.5	...				

Source: Office of Statistical Coordination and Standards, National Accounts of the Philippines.

[a] Includes utilities, transportation and construction.

[b] Less subsidies.

[c] Merchandise (f.o.b.) and non-factor services.

[d] GNPmp — consumption — statistical discrepancy.

[e] Net statistical discrepancy results from errors in the estimation of expenditure on gross domestic product, mainly personal consumption.

[f] Deficit on current account.

[g] 1961-1965.

[p] Preliminary. National Economic Council, reported in *Manila Bulletin*, 12 January 1970.

drought; rice production is provisionally estimated at about 6 per cent greater than the record output of 1967/68.[190] The production of other food crops was highly variable; root crop output declined by 5 per cent, while vegetable production rose slightly. Minor crops generally expanded more than major. The production index for food crops rose by 4.6 per cent, somewhat less than the average of the last three or four years. Meat and poultry products and the fish catch expanded at relatively high rates. Although, by November, retail food prices had advanced by nearly 10 per cent from the seasonal low point in March, there was virtually no difference between the average for the first eleven months of 1969 and the corresponding period of 1968.

[190] As of 12 March 1969; an earlier estimate based on the harvest through January 1969 indicated a slight decline. Lack of definitive information about the rice harvest contributed to confusion during the election campaign; increasing prices of rice and other foods from September also added to the heat of the campaign.

Export crops performed less well. Sugar production suffered serious typhoon damage and was down by nearly 10 per cent. Copra and other coconut products continued to face soft markets through mid-year, though there was some improvement in the last six months of 1969; also affected by the drought, copra output increased by less than 2 per cent after a comparable decline in 1968. Abaca production fell by 10 per cent for the third year. The commercial crop index thus increased by less than one per cent. With government restrictions on the export of logs, and a slack market with prices down marginally, round timber production rose by only 2 per cent.

Mining

The expansion of mining production continued during the first nine months of 1969 at nearly 17 per cent above the same period of 1968. Production of copper concentrates, the most important foreign

exchange earner, expanded most rapidly among the major metals while the output of both chromite and iron ore rose at accelerated rates. The production of zinc, among the minor ores, outpaced copper. International copper prices rose during the first half of 1969 and the rise appeared to be accelerating later in the year. Investment plans in copper mining and smelting give promise of continued rapid expansion during the next few years.

Manufacturing

The performance of the manufacturing sector has been inconstant, viewed either as time series or in cross-section. Years of relatively rapid growth have been followed by years of much lower rates of expansion. Production of durable goods has expanded at accelerated rates since the middle of the decade; half-year figures for 1969 show the acceleration to have continued. Within this classification, however, there is considerable variation. Wood products (veneer, plywood and sawn timber) are strongly export-oriented and annual increases in their production have been relatively large as prices have risen. A 12 per cent rise in price elicited an increase of more than 40 per cent in lumber production in 1968/69. Of the durable goods industries primarily oriented to domestic markets, only transport equipment has grown at consistently accelerated rates since the middle of the decade. Cement output has increased rapidly for several years as capacity has increased, though some slackening in the rate of expansion appeared in the first eight months of 1969, presumably reflecting the slack in construction activity.

Half-year figures for 1969 (compared with the first half of 1968) indicate declining production in a number of non-durable products groups: apparel and footwear and tobacco products (both with important export markets), leather goods and publishing, among goods primarily for consumption; textiles and paper products among intermediate goods. Among the rapidly growing non-durable manufactures which continued to expand at above-average rates during the first six months of 1969, rubber products and petroleum products were prominent; both provide intermediate goods for the transportation sector. Chemical products, a major intermediate goods industry group with a low rate of growth for the last five years and a decline in 1968, made a sharp recovery in early 1969. Fertilizer output expanded rapidly in the first half of 1969 as additional capacity came into production.

In part, the irregularity of growth patterns among industry groups stems from the heavy dependence upon imported inputs and the scarcity of foreign exchange. The greatest relative dependence is borne by durable goods, assembly operations in particular. Imports of semi-finished products increased sharply in 1967 and continued at high rates during the following year and the first seven months of 1969. Raw material imports increased considerably less in dollar volume, but at nearly comparable rates, despite the pressure on the available foreign exchange. For several kinds of consumer goods (e.g. garments and cigarettes) and some machinery, competition from imports has been an important deterrent to expansion. Excess capacity in some intermediate goods reflects the limitations of the domestic market.

Trade and payments

The sources of the Philippine balance-of-payment problem lie quite prosaically in the continuing failure to expand exports and to bring about a reduction of imports. Short-term measures have of necessity concentrated on the restriction of imports, chiefly by monetary means in the context of general monetary restraint. The process of import substitution has created a heavy demand for imports of semi-finished and raw-material inputs into the final stages of manufacturing which characterize much of Philippine industry. If there were a significant reduction in these imports, production and employment would inevitably suffer and thus contribute to inflationary pressures. While the necessity for increasing exports and producing substitutes for input-imports is recognized by Philippine policy-makers, the gap remains between short-term policy requirements and solutions which can only be effective in the longer term.

Exports[191]

Merchandise exports increased by some 4 per cent in 1968 (in US dollar value) after a slight decline in 1967; during the first three quarters of 1969, export receipts were somewhat smaller than during the comparable period in 1968. Fluctuations in prices were the main factor responsible for wide variations in performance among major commodities. Wood products exports (logs, lumber, plywood and veneer) retained the lead as foreign-exchange earners in 1968 and 1969, while their composition shifted in favour of the processed commodities in response to differential price changes.[192] Export sales of coconut products rose by more than 9 per cent in 1968, mainly as a result of improved prices during the first half of the year. Export volume was down by 17 per cent for copra but up by 11 per cent for coconut oil. During the last half of 1968 and the first half of

[191] For a study of Philippine export dependency, see ECAFE, *Economic Survey of Asia and the Far East 1968* (Bangkok, 1969), Part 1-A, esp. sections I and II(c).

[192] Since 1968, Philippine veneer and plywood exports to the United States have had to pay 60 per cent of the 10 and 20 per cent *ad valorem* duties on these products. Veneer export volume to the United States market increased by 50 per cent in 1968 while plywood volume increased by about one eighth. Some 90 per cent of total Philippine exports of veneer and plywood goes to United States markets.

1969, prices of both commodities fell irregularly (11 per cent for copra from January to June 1969 and 8 per cent for coconut oil from December 1968 to May 1969); export values fell even more severely during the first seven months of 1969. Thereafter, prices of both began to recover—copra by some 20 per cent by November and coconut oil less markedly. It is possible that some of the 20 per cent decline in earnings on coconut products recorded during the first seven months may have been recouped by the end of the year.

During 1968, the volume of sugar exports declined marginally while prices rose by 3 to 4 per cent in the United States market; export earnings rose by less than 2 per cent. Typhoon damage reduced sugar output by some 10 per cent during the 1968/69 crop year and sugar export values were down by 6 per cent during the first seven months of 1969, while United States prices rose by 4 per cent in the same period.[198] Though two new sugar mills had come into production for the 1968/69 season, the reduction in cane supply was the determining factor in the fall in export earnings.

Production and exports of copper concentrates continued to expand in 1968 and early 1969 as export prices rose substantially. Exports worth US$85 million in 1968 accounted for more than a tenth of total export values. Earnings increased by well over one third during the first seven months of 1969 (on the corresponding period in 1968). A slightly diminished volume of iron ore exports (despite a marked increase in production) was the response to declining prices. In contrast, abaca export tonnage increased in response to a 10 per cent price rise although production during the 1968/69 season continued its decline.

Except perhaps for sugar, major exports are generally responsive to upward price movements insofar as production is not inhibited by natural causes, such as drought or typhoon damage. Increased export volumes of coconut products are being encouraged by government-supported schemes for improved methods of cultivation. The programme for increasing sugar exports emphasizes heavy investment in new mills; four new plants are now in service and two more are being built. Much remains to be done, however, in the improvement of cane yields, which are low by international standards. Timber exports and logging are under government supervision, which varies in its effectiveness. The forest cover has been seriously reduced in major logging areas and plans to develop plantation-type regrowth forests are gradually being implemented. Timber-processing industries figure importantly in the new investment priorities plans, with the emphasis on increasing value added through processing prior to export. New export products are being sought and minor exports being developed: bananas and canned pineapple, metallic ores and refined metals, rolled steel products and tin plate and exports of cement have begun to gain significance. The new investment priorities plans specifically permit approval of production capacity in excess of anticipated domestic demand to allow exploitation of scale economies in production for export.

[198] On the first seven months of 1968. Typically more than two thirds of the annual tonnage is exported during the first half-year.

Imports

The current and continuing difficulties with the balance of payments were initiated by the extraordinary surge of imports in 1967. Attempts to contain import expansion in the following year were only partially successful and the increasing trade deficit was compounded by a deficit in invisibles as well. Further restrictions on imports in 1969 apparently reduced the rate of merchandise import growth to about 2 per cent during the first three quarters of the year.

Changes in the structure of imports reflect the impact of import substitution. The high-yielding varieties programmes in rice and maize production have permitted a significant reduction in foodgrain imports since 1967. Higher-than-average rates of increase in the importation of raw and semi-finished inputs suggest the nature of the import-substitution predicament. Taken together, these two categories of input-imports have increased as a proportion of total imports from just over half in 1960 to nearly two thirds in 1968 and early 1969. Changes in the pattern of imports during the last two years, when attempts were made to restrain total imports, show the effects of particular choices among alternatives. Exceptions to generalized restrictions have been necessary to support investment programmes and to avoid the under-utilization of capacity in important lines of production. Consequently, the share of machinery and equipment imports has been maintained at over 20 per cent of the total since 1967. While raw material imports have expanded irregularly (in part the reflection of fluctuations in inventories), semi-finished inputs have continued to take an increasing share of the growing import total.

External payments

The deficit on merchandise account increased in 1968 and continued to do so during the first three quarters of 1969. The negative shift on non-factor services which took place in 1968 persisted and the balance deteriorated further during the first half of 1969. The main reason was the reduction of the United States Government expenditure in the Philippines. Tourist expenditure also fell, suggesting that "a substantial portion . . . was transacted outside the

banking system",[194] and reflecting the depreciation of the peso on the free market. Despite an apparent improvement in miscellaneous services, the deficit on non-factor services was more than twice as great as that in the first half of 1968. While the transfer payment receipts remained virtually unchanged, net factor-service payments to abroad were considerably smaller than during the first three quarters of 1968. On capital account, the upward movement in capital inflow, particularly of private long-term capital, continued during January-June 1969. Private short-term capital inflow moved similarly. Despite these improvements, however, foreign exchange reserves continued to decline during the first half of 1969. By the end of September 1969, international reserves stood at US$145 million (equal to six or seven weeks' imports at 1969 rates), down from US$176 million in June and US$195 million at the end of 1968.

Monetary measures

During the first three quarters of 1969, the Central Bank continued its efforts to curb the outflow of foreign exchange and to consolidate the short-term debt incurred to cover external payments requirements. In April, a ceiling was placed on the volume of import letters of credit and its applicability was subsequently extended to the end of the year; the requirement of special time deposits on import letters of credit was similarly extended. General measures of monetary restraint included raising the basic rediscount rate from 7½ to 8 per cent in April and the imposition of a 2 per cent interest equalization charge in June, in effect increasing the basic rediscount rate to an unprecedented 10 per cent.

In addition to the establishment of priorities for import credit, measures were taken to promote exports by exempting export-oriented industries from the ceilings imposed on domestic credit accounts; for specified industries, exemption was granted from the special time deposits requirement for importation of machinery, equipment and parts. Other measures for easing credit conditions for specified priority imports included the reduction of the pre-deposit period for special time deposits. To permit commercial banks' use of foreign credit lines, the ceilings on their exchange holdings and peso-dollar swap arrangements were lifted. However necessary to avoid retardation of priority investment programmes and production for export, the effect was to diminish control over the burgeoning demand for foreign exchange. Towards the end of the year, further steps were taken to restrict dollar outflow, including new limits on the amount of exchange permitted for overseas travel and further curbs on non-essential imports.[195] On 21 February 1970, the Central Bank announced that the peso would be permitted to "float", the rate of exchange to be determined by the market.[196]

External finance

The large trade deficits of 1967 and 1968 required substantial short-term borrowing by the Central Bank, including the use of US$55 million under two stand-by arrangements with IMF. During 1968, the Government paid $232 million on its short-term obligations while some $80 million in short-term credits were converted into medium-term. Short-term foreign borrowing by the monetary authorities amounted to $34 million (net) during the first half of 1969. Renegotiation and extension of repayment periods was required; a $40 million loan due in September to a consortium of United States banks was "rolled over" for an additional six months and the consortium agreed to raising the ceiling on loans to the Central Bank. Smaller loans were negotiated with European and other American banks.

External borrowing has become and remains costly.[197] Total public external debt amounted to $775 million at the end of June 1969, of which $386 million, or nearly half, had maturities of one year of less. Interest charges amounted to an annual $35.7 million at the end of 1968, or 6.4 per cent of the interest-bearing debt.[198] Interest and amortization on the external public debt with maturities of more than one year were estimated at over $70 million in 1969, or more than 8 per cent of merchandise export earnings.

In the longer term, the Philippines should be able to manage its balance of payments with less difficulty, provided the necessary structural changes can be made in the economy. An inflow of long-term capital of about US$250 million per year will be needed to cover the current account deficit and to provide for continued growth in investment.[199] The continued promotion of investment, according to priorities along the lines already established, should create the pattern of growth necessary for the long-term achievement of external balance: re-development

[194] *Central Bank News Digest*, XXI:41 (7 October 1969). See note 196, below.

[195] United Press International news release dated 14 December 1969.

[196] The peso-US dollar exchange rate averaged ₱4.40 to the dollar in January 1969 and had fallen to ₱4.51 in June; by December the rate had fallen by a further 20 per cent, to a monthly average of weekly quotations of ₱5.61. Source: Deak & Co. (FE), Hong Kong.

[197] A pending $50 million, ten-year loan from a consortium of Scandinavian banks was expected to carry an interest rate in excess of 11 per cent, or nearly double that currently paid on the total public external debt. (UPI, 30 October 1969).

[198] At the end of 1966, the corresponding figures were $23.4 million and 5.5 per cent and at the end of 1967, $33.5 million and 6.0 per cent. Central Bank of the Philippines, *Quarterly Statistical Bulletin*, XX:4 (December 1968), tables 77 and 78.

[199] More than half this amount was achieved in 1968 when the new investment priorities programme had only just been initiated. The programme sketched for the redevelopment of the economy over the next few years should both stabilize the current account deficit in absolute terms and encourage new foreign investment.

of existing primary products exports, diversification and development of manufactured exports, especially those based on domestic raw materials, increased production of substitutes for imported inputs into manufacturing and agriculture, and continued expansion of food agriculture. The continued improvement of tax administration and further tax reform are necessary if the infrastructural programme and adequate social and economic services are to be provided to support the expansion in the production sectors. A fourth consideration which must be paired with the second phase of import substitution requires measures to improve the efficiency of production in industries presently enjoying tariff protection and determined adherence to a set of priorities for imports.

Among the many subsidiary considerations, the favoured position of Philippine exports in United States markets has already begun to be trimmed; by 1974, when the Laurel-Langley agreement expires, the development of new external markets and improved competitive efficiency in production should be feasible.

Finance

The tax programme of 1968 was the first piece of tax legislation since 1959 to bring in additional revenue. The full effect in increased tax yields in 1969/70 will be some 275 million pesos out of the optimistic 1,000 million pesos intended by the proposal submitted to the Congress. Between the fiscal years 1963/64 and 1965/66, national tax revenues stagnated in absolute terms; a marked improvement in tax collection and administration, the elimination of some subsidies and the more rapid growth of income (and in 1967, of imports) occurred during the next three fiscal years; tax revenue rose as a share of GNP from 10.2 per cent in 1965 to 11.1 per cent in 1968 (calendar years).[200] In comparison with other developing countries of comparable economic size in the region, the aggregate tax burden is relatively low. Therefore much the same is true, in large part, of public expenditure; the contrast is most striking in respect of capital expenditure.

Revenue needs are expanding rapidly in the Philippines as a result of past neglect of infrastructural investment and maintenance and the continued high rate of population growth. Maintenance of existing standards in education and social services thus requires steadily rising outlays; the need for improvement in standards, not only in education but also in health services and housing, is especially great. Current expenditure by the national government has accelerated during the past three years, but outlays on social services, including education, have lagged relatively.[201] The *pièce de résistance* of the Government programme has been the redevelopment and expansion of the economic infrastructure. The four-year programme for fiscal years 1966/67-1970/71 has concentrated on road building and other transport and communications and agricultural infrastructure, particularly irrigation. In the capital budgets of these years, economic development programmes absorb more than four fifths of the ever larger outlay on development investment in the public sector.

The increase in tax revenue, and in total national government revenue, has permitted the considerable expansion in current expenditures as well as some public savings on current account. Increased capital expenditure has meant an over-all deficit, also on the increase.[202] The failure of the Congress to provide appropriations to cover authorized expenditure has necessitated recourse to borrowing; in consequence, the domestic debt of the national government rose from 1,950 million pesos at the end of 1965 to 2,660 million pesos at the end of 1968.[203] At the same time, shortages of funds have impinged on both current expenditure (notably on education and social services) and development programmes. In the event of a military "phase-down" by the United States in the next few years, it is likely that increased defence expenditure by the Philippines will add to the demands on the government budget.

Money

A large portion of the government debt is held by the banking system, providing the basis for a high degree of liquidity. To reduce this inflationary potential, the Central Bank has increased reserve requirements, imposed ceilings on domestic credit and raised the basic rediscount rate. The special time deposits for opening import letters of credit have served in the short term to absorb excess liquidity. Exceptions to these measures have diminished their general effectiveness. The external payments deficit has contributed to an easing of internal inflationary pressures and a speculative boom in the share market has absorbed much of the excess liquidity.

[200] All levels of government, according to national accounts estimates.

[201] Budget estimates for the fiscal year 1969/70 present an expansion of total current expenditure at a much lower rate than that of the two preceding years. Outlays on social services and education, however, were budgeted percentage increases well above their average increases in the same years. See Republic of the Philippines, the *President's Budget Message* (to the Sixth Congress, fourth session), Manila, 1969.

[202] During the fiscal year 1966/67, which included the previous presidential election, a deficit was incurred on current account and the over-all Government deficit (excluding government corporations) rose by nearly 70 per cent. Though the over-all deficit was reduced by nearly half in the fiscal year 1967/68, it rose again to above the 1966 level in the following year.

[203] Including the debts of local governments and government corporations, the total domestic debt stood at 3,140 million pesos at the end of 1965 and 4,570 million pesos at the end of 1968.

Domestic credit restrictions impinge upon the private sector as the major share of credit has gone to government and semi-governmental entities. Exceptions have been made for priority industries and aggregate credit to private business has continued to grow. Through mid-1969 and into the third quarter, there was no indication of a general retardation in the rate of output growth. The possibility remains, however, that credit stringency, in conjunction with restrictions on input-imports, may slow down the growth of physical output.

In sharp contrast to its development during 1963, total money supply expanded at an increasing rate during the second half of 1969.

Prices

After a year or more of price stability, both wholesale and retail prices began to move upwards at somewhat more than seasonal rates in mid-1969. The rather mediocre result of food crop harvests during the crop-year ending in June presumably had some effect on the more rapid increase in food prices, but the rise in prices during the second half of 1969 was not restricted to foodstuffs; the increase in prices at retail level appears to have been fairly general. On an annual average, retail prices probably rose by 2 or 3 per cent above 1968. December figures for the consumers' price index for low-income families in Manila show an increase of 3 per cent between 1968 and 1969. Real wages, which had risen by 11 per cent in 1967/68 and by another 2 or 3 per cent during the first half of 1969,[204] seemed destined to decline as nominal wages remained virtually unchanged.

Growth, structural change and development policy

The longer-term perspective of growth and structural change remains central to Philippine policy. Although the over-all growth of the economy has continued at reasonably satisfactory rates, by the mid-1960s, structural changes had taken place which had reduced the rate of growth and led to stagnation in productivity. Industrialization on the basis of import substitution had permitted the rapid development of manufacturing, much of it in the final stages of production, including assembly of motor vehicles and durable consumer goods. The early, accelerated rates of expansion declined as import substitution was achieved and further expansion of output was limited to the growth of domestic demand. The avenue of further growth into exports was made difficult, despite the existence of excess capacity in some lines, by the high cost of production in most of the protected industries.

Constant-price value added data indicate a deceleration in the growth of secondary production sectors sometime about the beginning of the decade (see table II-2-28), most markedly in mining and manufacturing. The share of industry remained stagnant after 1960, borne up by the rapid expansion of construction activity, while the share of manufacturing declined. Between 1960 and 1965, agriculture provided more than two fifths of all new job opportunities, while its share of total employment slowly decreased. Employment opportunities grew most rapidly in commerce and services, and in construction and transport among the industrial sectors. In manufacturing, the largest component of the industrial sector, and in the sector as a whole, the rate of employment growth exceeded that of real output. Productivity—in the broad sense of real output per head of employed labour force—thus declined during the first half of the 1960s, in all industrial sectors but mining, and in commerce and services as well. Agricultural productivity rose slightly while real output per head of employment for the economy as a whole advanced only marginally. This stagnation in productivity suggests that the dynamic forces of growth and structural change had begun to subside.[205]

The failure of any sector to impart dynamism to the growth of the economy is an indication of essentially the same phenomenon. Manufacturing, during the first half of the 1960s, grew at a rate lower than total real product. In a sector which technically has the potential for high and rising levels of productivity, real output per head of employed labour force remained virtually unchanged between 1960 and 1965.

Implementation of the Government's investment priorities programme is expected to provide new impulses for industrial growth and structural change. Incentives have been provided under the terms of the 1967 Investment Incentives Law; a new organization, the Board of Investments, has been established to develop and implement the new programmes for natural resources and industry. In broad terms, the emphasis is upon the development of domestic resources and the addition of a larger portion of value in their processing; upon the development of industries to provide agricultural inputs—chemicals, tools, machinery and equipment; and upon the development of production capacity for substitutes to replace imported inputs for manufacturing. With a view to the diversification of exports, additional incentives are provided to encourage manufacturing for export.

The structure of manufacturing in the Philippines is heavily weighted towards the production of goods for consumer use and is characteristically lacking in

[204] Unskilled workmen; comparison with the average index for the second half of 1968. See Central Bank of the Philippines, *Quarterly Statistical Bulletin*, December 1968 and Presidential Economic Staff, *Selected Economic Indicators*, for basic data.

[205] Gains in productivity for the economy as a whole arise from the upward shift of production functions in any sector and from intersectoral shifts of factors of production from less to more productive employment, generally a movement from agriculture to non-agriculture.

Table II-2-28. Philippines: Changes in industrial structure, 1954-1956, 1959-1961, 1964-1966[a]

	Percentage shares			Growth rates (per cent p.a.)	
	1954-1956	1959-1961	1964-1966	1954-1956 — 1959-1961	1959-1961 — 1964-1966
Value added[b]					
Agriculture	34.6	31.7	30.1	3.4	3.6
Industry	26.5	27.8	27.7	6.2	4.6
Mining	1.4	1.6	1.6	7.7	4.0
Manufacturing	15.9	17.8	17.5	7.7	4.3
Construction	4.4	3.6	3.9	1.0	6.5
Utilities and transport	4.8	4.8	4.7	5.3	4.4
Commerce and services	38.9	40.5	42.2	6.1	5.6
Total	100.0	100.0	100.0	5.3	4.7
Employment[c]					
Agriculture		61.2	57.6		2.9
Industry		17.9	18.7		5.1
Mining		0.4	0.3		−0.6
Manufacturing		11.6	11.8		4.5
Construction		2.6	3.0		7.6
Utilities and transport		3.3	3.6		6.0
Commerce and services[d]		21.0	23.7		6.8
Total		100.0	100.0		4.2
Productivity[e]		*Ratios*			
Agriculture		0.52	0.52		0.7
Industry		1.56	1.48		−0.5
Mining		4.37	5.35		4.7
Manufacturing		1.53	1.48		−0.1
Construction		1.38	1.28		−1.0
Utilities and transport		1.47	1.32		−1.6
Commerce and services		1.93	1.78		−1.1
Total		1.00	1.00		0.5

Sources: Value added: OSCAS, National Accounts of the Philippines.
Employment: Bureau of Census and Statistics, Labor Force Sample Survey.

Notes: [a] Three-year averages.
[b] Net domestic product at 1955 factor cost.
[c] Fully and partially employed, 10 years of age and over.
[d] Includes employees unclassifiable by sector.
[e] Relative productivity: sectoral value added per head of sectoral employment upon total value added per head of total employment.

capacity to produce investment goods. The machinery and transport equipment industries are dominated by establishments which assemble mainly durable consumer goods, but there is little production of investment goods, properly so called. The importance of industries producing intermediate goods—mainly inputs into agriculture, mining, transportation and other manufacturing—increased prior to 1960 and again after the middle of the decade. An important part of the output of some of these industries goes to export markets: lumber, plywood and veneer from the wood products group, for example. The capacity of the manufacturing sector to support growth in other sectors is, in part, situated in this group; directly supporting investment in construction, intermediate goods capacity includes timber products, structural steel, cement and other non-metallic mineral products.

The priorities which have been established for the re-development and expansion of manufacturing industry will, to the extent that private capital responds to the proffered incentives, shift the pattern of manufacturing towards a heavier concentration in the production of intermediate goods, mainly for domestic inter-industry demand, but also for export. In broad terms, the scale and pattern of investment in manufacturing, actual and planned, are shown in table II-2-29.[206] The order of magnitude of the total required investment in the priorities plans does not differ greatly from the estimated level of fixed capital

[206]The classification used here relates to manufacturing and processing; it excludes about one fourth of the total investment requirement in the Board of Investments' Second Investment Priorities Plan. The portion excluded relates to investment in the so-called agro-industries, other than manufacturing or a substantial degree of processing, and to mining and the beneficiation of mineral ores.

formation in manufacturing in 1968.[207] However, since the priority projects included in the investment priorities lists do not purport to include all manufacturing investment, it is possible that fulfilment of the current priorities plan will press upon the absorptive capacity for new investment.

The relative increase in investment in industries producing intermediate goods had begun as early as 1966. Except for food processing, all other industry groups in which capital formation was large belong to the intermediate products category (chemicals, non-metallic mineral products, textiles and wood products). In the first priorities list (published in 1968), more than half the total investment requirement was listed for basic metals and about a quarter for pulp and paper products. The pattern of investment approvals diverges from the "indicative" priorities to an extent not reflected in the broad classification of table II-2-29. Approved investment in pulp and paper exceeds by a large margin the amount, and the share of total, indicated in the first plan; both wood products and metal products bulk larger in the approvals than in the plan.[208] In the Second Investment Priorities Plan, for the period 1969-1972, some emphasis has been shifted from intermediate goods towards investment goods. Of the former, basic betals retains pride of place, accounting for two fifths of the total investment requirement in manufacturing. Projects for the establishment of capacity in the production of primary steel and cold-rolled products are to take nearly three fourths of the total investment in metals. Large investments in chemicals (mainly synthetic fibres and urea) and in pulp and paper follow in order of size among the intermediate products industries. The greater emphasis upon investment goods capacity is concentrated on ship-building, with smaller but significant investments indicated for diesel engines and machine tools (lathes).

The priorities lists are based on pragmatic criteria which apparently neither exhaust the technical and economic possibilities nor probe fully the potential of inter-industry demand.[209] Building back into capacity for components for the final stages of manufacturing could create an expanded market for metal-working machinery and for the output of other engineering industries. Unlike many less developed countries in the region, in which the level of inter-industry demand generated by the manufacturing sector is too limited to permit the development of a complex of engineering industries, manufacturing in the Philippines should be able to provide the necessary demand,

Table II-2-29. Philippines: Investment patterns in manufacturing, 1963-1966 (actual), 1968/69 (prospective)

(in million pesos: 1968 prices)

Industrial Group[a]	*Fixed capital formation*[b] *1963-1965*[c]	*Fixed capital formation*[b] *1966*	*First Investment Priorities Plan*[d] *1968*	*BOI fixed capital investment approvals 1968/69*[e]	*Second Investment Priorities Plan*[f] *1969*
Consumption goods	139.8 (35.5)	200.9 (33.1)	42.7 (3.9)	99.6 (10.0)	78.5 (6.6)
Intermediate goods	220.6 (56.0)	377.5 (62.2)	968.1 (88.4)	859.9 (86.2)	895.1 (75.4)
Investment goods	29.4 (7.5)	23.4 (3.8)	83.8 (7.7)	38.6 (3.9)	213.3 (18.0)
Total	394.1[g] (100.0)	607.4[g] (100.0)	1,094.6 (100.0)	998.1 (100.0)	1,186.9 (100.0)

Sources: Fixed capital formation: Bureau of Census and Statistics, Survey of Manufactures (annual).
Priorities plans and investment approvals: Board of Investments.

Notes: [a] Industrial groups classified as follows:
(a) Consumption goods: food, beverages, tobacco, garments and footwear, furniture, printing and leather products. In the BOI data, household chinaware is included.
(b) Intermediate goods: textiles, wood, paper, rubber, chemical, petroleum and mineral products, basic metals and metal products.
(c) Investment goods: machinery, electrical machinery and transport equipment.

[b] Survey establishments, five or more workers. Coverage includes establishments which produce in the aggregate about nine-tenths of manufacturing value added.

[c] Annual rates.

[d] Estimated investment requirements for priority industries included in the First Investment Priorities Plan for 1968-1971; at annual rates.

[e] Board of Investments approvals during period July 1968-June 1969; fixed capital only.

[f] Estimated investment requirements of the Second Investment Priorities Plan for 1969-1972, at annual rates. Supersedes the First Investment Priorities Plan.

[g] Miscellaneous group included in totals only; about one per cent of total.

[207] The national accounts estimates of fixed capital formation do not provide a breakdown of investment by economic sectors; a rough attempt to allocate fixed capital formation in durable goods, plus an estimate of the construction component of investment in manufacturing, suggests that total fixed investment in manufacturing during 1968 amounted to more than one thousand million pesos, or less than one fifth of gross fixed capital formation. Comparison of a similar estimate for 1966 with the figure from the annual Survey of Manufactures for expenditure on new fixed assets (excluding land), indicates that the Survey establishments probably accounted for more than 95 per cent of the total investment in the manufacturing sector.

[208] The importance of the divergence is attenuated by the circumstance that investments approved in any year are not expected to be followed by more than a part of the total value in actual outlays in that year. Thus the investment approval figures are not strictly comparable with the priorities plan figures which have been presented at annual rates.

[209] For example, there are few components in the list, despite the rather extensive facilities for the assembly of durable consumer and some producer goods from imported parts. Nine relatively large and a score of smaller plants currently assemble some 2,000 units of passenger cars and commercial vehicles annually. Assembly of a wide variety of makes and models precludes economic scales of spare-part and component production. A move towards rationalization of assembly could contribute to the reduction of input-import requirements provided some standardization of components could be achieved for a smaller number of models.

provided measures are taken to induce standardization of components and rationalization of the later stages of manufacturing.

In terms of projected investment cost, roughly one sixth of the total proposed capacity in the first investment priorities plan and one ninth of the second were designated for export markets. Most of this is in metal refining, processing of foodstuffs and other agricultural produce, fibre pulp and timber products. Additional incentives are provided for investment projects which will earn foreign exchange. The projects approved by the Board of Investments during the year from July 1968 through June 1969 were expected to generate net foreign exchange earnings of some 800 million pesos annually in 1968 and 1969, while net foreign exchange savings were expected to run at an average of some 500 million pesos per year. By far the largest part of foreign exchange earnings was to accrue from exports of coconut, forest and mineral products, thus chiefly from processing rather than manufacturing proper.[210]

Thailand

Introduction

In 1969, the economy of Thailand improved upon a relatively modest growth rate of 6.5 per cent in the previous year to 7.9 per cent, which is identical with the average annual growth rate during the 1961-1967 period. The average annual growth rate of the economy for the first three years of the second five-year plan, from 1967 to 1969, was 7.8 per cent per year which was slightly short of the target rate of 8.5 per cent set by the plan. The main reason for the slight shortfall during these first three years was the inadequate growth rate of agricultural production. The average annual growth rate of agricultural production fell from 5.8 per cent during 1957-1967 to some 0.4 per cent in 1968 as a result of the severe drought. In 1969, weather conditions improved, and agricultural production registered a growth rate of 6.8 per cent, thus bringing the average annual growth rate in agricultural production during 1967-1969 to 3.6 per cent which is still below the target rate of 4.3 per cent. The inadequate performance of the agricultural sector has somewhat affected the growth of other sectors, especially manufacturing, wholesale and retail trade and transport and communications.

The slow growth of agricultural production also adversely affected export trade in this period as the country's exports are largely composed of agricultural products. Between 1959 and 1964, exports of goods increased by an impressive rate of 10.3 per cent annually. After that, the growth rate began to decline to only 4.7 per cent during 1964-1967. In 1968, the total value of exports was even lower than in the previous year, mainly because of the poor crop of 1967/68. In 1969, with the recovery of agricultural production, the total value of exports rose again at a high rate of 11.3 per cent over the previous year, but the average growth rate of exports during 1967 1969 is around 3.7 per cent per annum.

The performance of imports for the whole period from 1959 diverged significantly from that of exports. During 1959-1964, imports grew at about the same rate as exports, but in the subsequent period of 1964-1967, imports increased sharply by 15.9 per cent per annum, while the growth rate of exports declined substantially. The annual growth rate of imports during 1967-1969 was about 11.6 per cent, while that of exports was only 3.7 per cent. This resulted in a rapid widening of the trade deficit from US$211.8 million or about 5 per cent of GDP in 1966, to US$595 million or about 9.9 per cent of GDP[211] in 1969.

Thailand has substantial surpluses in its services account which cover the major part of the trade deficit, with the result that the over-all deficit on goods and services amounted in 1966 to US$17.9 million or 0.4 per cent of GDP and in 1969 to US$321.2 million or 5.3 per cent of GDP.[212] However, owing to the large inflow of transfer payments and foreign capital, the country has had surpluses in its basic balance of payments; consequently its international reserves increased every year to record about US$922 million at the end of 1968. In 1969 the country is expected to have a deficit of US$48 million in its basic balance of payments for the first time, even after account is taken of both transfer payments and foreign capital inflow.[213]

Thailand used to have high domestic savings rates, with the marginal propensity to save recording 0.35 during 1957-1967. Since 1968 consumption has increased sharply and has reduced the marginal propensity to save to about 0.09. During 1967 and 1969, the saving ratios fell in both public and private sectors. In particular, the budget deficit rose from 7.6 per cent of Government revenue in 1966 to 19.5 per cent in 1969.

[210] Board of Investments, "Analysis of Projects Approved by the Board of Investments, July 1968 – June 1969" (mimeo., 1969). Although the foreign exchange earnings are reckoned net of imported input costs and amortization on imported capital equipment, the figures do not allow for the fact that the products expected to be exported after processing would in large part have been exported in a less highly processed state.

[211]

	1966	1967	1968	1969
Deficit on goods (US$ million)	211.8	385.7	501.2	595.0
Ratio to GDP (per cent)	5.0	8.3	9.0	9.9
Deficit on goods and services (US$ million)	17.9	107.6	212.7	321.2
Ratio to GDP (per cent)	0.4	2.1	3.8	5.3

Source: Bank of Thailand.

[212] *Ibid.*

[213] *Ibid.*

In 1969, money supply increased by 5.0 per cent, compared with 7.5 per cent in 1968. However, the consumer price index for the whole country increased by 2.0 per cent in 1969 compared with 1.8 per cent in 1968.[214]

Generally speaking, the economy of Thailand in 1969 grew at a satisfactory rate with some degree of stability, although the rate was lower than the target rate. Nevertheless, there are some urgent problems connected with the widening trade and budget deficits confronting the Thai economy.

Agriculture

In 1969, agricultural production increased by 6.8 per cent against a mere 0.4 per cent in 1968. In spite of this impressive growth, the percentage share of the agricultural sector in GDP declined from 28.3 per cent in 1968 to 28.0 per cent in 1969, due to faster rates of growth in other sectors.

Rice is the most important crop, accounting for 10.7 per cent of GDP[215] and 38 per cent of exports. Output of paddy in 1969/70 is estimated at 13.4 million tons against 12.4 million tons in the previous year. However, the problem of rice has shifted from the bad weather conditions in 1968 to the export market situation in 1969.

In 1967 and 1968, rice exports were restricted by the Government to maintain sufficient supplies for domestic consumption and this caused the traditional importers of Thai rice to turn to other sources for supply. When the rice export quota was relaxed as a result of a larger domestic supply, some difficulties were encountered in selling to the traditional markets because of the existence of large stocks and keen competition from the United States, mainland China, Japan and Burma. Even with the reduction of the export premium to stimulate sales, rice exports did not increase materially, largely because foreign buyers of Thai rice expected a further reduction in the premium and price. The future rice policy, therefore, seems to necessitate careful consideration.

Among the crops which have good prospects for external demand, but have problems in increasing production, are rubber and maize. The output of rubber ranks second only to rice, contributing about 4.8 per cent of total crop value and 11.1 per cent of total exports in 1967. Most rubber trees in Thailand are aging and give a very low average yield. The average yield in 1968 was estimated to be 20 per cent lower than that of estate production in Malaysia.[216] To encourage replanting of high-yielding varieties, the Government set up a Rubber Replanting Aid Fund to provide financial assistance to the plantation owners who are willing to replant with high-yielding varieties. In 1969, only 7.2 per cent of the total area of 4.5 million rai was replanted.[217] The output of rubber in 1969 was estimated at 265 thousand tons,[218] an increase of 2.8 per cent over the previous year.

The output of maize in 1969 was estimated at 1.7 million tons, an increase of 26 per cent over the previous year. Because of the limited arable land, the farmers have continuously encroached on the reserved forest for maize cultivation. The Agricultural Promotion Department is of the opinion that expansion of arable land would be difficult without converting part of the reserved forest and woodland held by farmers into arable land. Another possibility would be to diversify the use of marginal paddy land for other cash crops.

The crops with promising prospects for external demand, and whose domestic production can be expanded, are cassava, tobacco, kapok and castor beans, provided that appropriate measures for export promotion are taken. In 1969, output of tobacco increased by 3.0 per cent, kapok by 42.0 per cent and castor beans by 12.0 per cent, while output of cassava declined by one per cent.

The crops whose production could be increased with the rise in domestic demand are cotton, groundnut, mung beans and soya beans. They are intermediate products for the textile and vegetable-oil industries. In 1969, the output of cotton increased by 24.7 per cent over the previous year, groundnut by 20 per cent, mung beans by 26.4 per cent and soya beans by 32.4 per cent.

The crops that encounter problems of fluctuations in prices and production are kenaf and sugarcane. The price and world demand are the major factors causing such fluctuations for kenaf. After a sharp drop in 1968, the output of kenaf increased by 72.4 per cent in 1969, following the increase in prices in the previous year. To regulate the fluctuations in prices and production, the Government guarantees the price for Grade A kenaf and undertakes measures to promote kenaf production.[219]

The output of sugarcane is estimated to have increased in 1969 by 12.6 per cent over the preceding year, because of a significant shift from cotton to sugarcane in the central region. There was a poor return for cotton in the previous year because of water shortage and heavy damage inflicted by insects and diseases. The increase in the output of sugarcane,

[214] Department of Commercial Intelligence, Ministry of Economic Affairs.

[215] At 1962 prices in 1967.

[216] Ministry of Agriculture, "A Forecast of Rubber Production in Thailand (1969-1980)".

[217] *Ibid.*

[218] Annual plan for 1970.

[219] Board of Trade.

however, exceeded the domestic requirement and the prices of sugarcane during 1969 were lower by 18 per cent compared with the previous year. Most of the existing sugar factories in Thailand are out-of-date and the cost per unit of production is higher than the world price. When there was over-production of sugar, exports of the surplus were subsidized by the special cess collected at the factories at the expense of domestic consumers. Thailand has now joined the International Sugar Agreement which will enable it to export a specific quantity of sugar at reasonable prices. It may be necessary for the Government, therefore, to regulate sugarcane production, with a view to meeting domestic demand and obligated export.

Common problems which cause low yields from all crops are water shortage, insects and diseases, backward technology and lack of working capital. These problems can be solved by irrigation, research and extension services and agricultural credit. As for irrigation, it may be advisable to shift attention from highly capital-intensive projects to simpler ones, such as ditches and dykes which are greatly needed. This shift would reduce capital requirements which are already much higher than domestic resources can support, and would, in turn, help to reduce the trade deficit. Moreover, the changes in world demand indicate that Thailand should further diversify production from rice to other cash crops. Irrigation projects should therefore be adjusted to fit into a new pattern of diversified agricultural production.

In 1969, livestock production increased by 1.5 per cent over the previous year. The demand prospects for livestock in both domestic and external markets has been promising. With the availability of grazing land and animal feed, a much higher output could be attained if animal husbandry is effectively promoted. The growth rate of livestock in Thailand during 1962-1975 has been estimated at 4.8 per cent per annum.[220]

The output of fisheries has increased rapidly in recent years, owing largely to the application of new technology in deep-sea fisheries. Since 1960, the annual growth rate of fisheries output has been about 15 per cent; in 1969 the output increased by 10 per cent over the previous year. These rates of growth, however, may not continue in the future. The growth rate of fisheries in Thailand during 1962-1975 has been estimated at 6.8 per cent per annum.[221] The growth rate of forestry in 1969 was estimated at 5.0 per cent.

Manufacturing

Production of the manufacturing sector increased by 10 per cent in 1969, the same rate as in the previous year.[222] Consequently, the share of manufacturing in GDP increased from 13.0 per cent in 1968 to 13.3 per cent in 1969. Practically all the major manufacturing industries increased their output at impressive rates during the year, with 26.3 per cent in cement, 15.9 per cent in petroleum products, 15.2 per cent in cotton textiles and 14.3 per cent in gunny bags. Sugar and tobacco, on the other hand, only grew at about the same rate of GDP.

It is the Government's policy to leave industrial development mainly in the hands of the private sector and provide appropriate incentives and promotional measures. The Government (1) applies measures such as income-tax holiday and duty-free import of certain essential industrial inputs to attract private domestic and foreign investment in manufacturing undertakings through the Board of Investment, (2) provides financial assistance in the form of low-interest, long-term loans to large and medium-scale industries through the Industrial Finance Corporation and to small-scale industries through the Small Industry Loan Board, and (3) conducts research and feasibility studies on selected industries and establishes pilot projects in small industries as examples for private individuals to follow. It is the Government's policy to promote the industries which utilize indigenous raw materials, generate local employment opportunities, and provide production for export by bringing in modern and effective techniques of production. Industries which are eligible for promotional privileges include preserved foods, vegetable oils, chemical fertilizers, machinery, cement and cement products, electronics, steel and paper. In 1969, the Board of Investment granted promotional privileges to 117 companies, with a total registered capital of 1,342 million baht, 36 per cent of which is foreign capital. These new companies will import machinery to the total value of 2,679 million baht and create employment opportunities for some 19,000 persons. The largest foreign investment in 1969 came from Japan with a net[223] registered capital of 82.6 million baht, followed by China (Taiwan) (74.6 million baht), Malaysia (38.8 million baht), the United Kingdom (33.6 million baht) and the United States (10 million baht). Major promoted industries were textiles, electronics, plastics, food canning, paper and steel.

Other sectors

Other sectors which had a growth rate higher than that of GDP in 1969 are electricity and water supply, banking, insurance and real estate, and public administration and defence. In 1969, value added by electricity and water supply increased by 18 per cent, against 22.4 per cent in 1968, while banking, insurance and real estate maintained the previous

[220] FAO, *Indicative World Plan for Agricultural Development to 1975 and 1985*, Vol. II, p. 40.

[221] *Ibid.*

[222] Annual plan for 1970.

[223] Registered capital less cancellations.

year's growth rate of 10 per cent. Public administration and defence, on the other hand, increased by 12 per cent, against 11.5 per cent in 1968, because of the growing need for internal security.

The sectors whose rate of growth was similar to that of GDP were construction, transport and communications, and wholesale and retail trade. In 1969, value added by construction increased by a mere 8 per cent compared with a much higher rate of 14.9 per cent in the previous year. The significant slow-down in the growth rate of construction was due to the completion of the United States military construction programme and to the decline in private urban building in anticipation of the United States military withdrawal from the country. The growth rate of transport and comunications, on the other hand, declined from 10.1 per cent in 1968 to 8.5 per cent in 1969, while wholesale and retail trade maintained the previous year's growth of 8 per cent.

The sectors which registered lower growth rates than that of GDP are mining and quarrying, ownership of dwellings, and services. The slow-down in the growth of mining and quarrying from 8.1 per cent in 1968 to 4.8 per cent in 1969 was mainly due to the decline in the output of tin as a result of the reduction in the export quota determined by the International Tin Council.[224] Value added by ownership of dwellings increased by 4.4 per cent and services by 5.8 per cent, about the same rates as in the previous year. The growth rate of services during 1968 and 1969, however, was considerably lower than the 7-8 per cent achieved in the previous years, and this partly reflects the effect of the United States military withdrawal from this area and the reduction in the number of United States military personnel visiting Thailand from the Republic of Viet-Nam.

Exports of merchandise

Exports of merchandise, after a poor performance during the past two years,[225] rose from their low base by 11.3 per cent in 1969, for an over-all growth rate of only 3.7 per cent during 1967-1969. In 1969, rice exports amounted to slightly over one million tons, about the same level as in 1968, though output of rice in 1969 was 9.7 per cent higher than in the previous year. The low level of rice exports in 1969 was not due to the restrictive policy of the Government but to keener competition in Thailand's traditional markets from the United States, mainland China, Burma and Japan. The export price of rice in 1969 was 12.3 per cent lower than in the previous year and this accounted for the reduction of 15.4 per cent[226] in the value of total rice exports during the year.

[224] Bangkok Bank, "Special Study on Tin".

[225] Exports of merchandise increased by only 0.5 per cent in 1967 and declined by 3.4 per cent in 1968.

[226] Bank of Thailand.

In 1969, rubber exports increased by 2 per cent against 19 per cent in 1968. Owing to an increase of 34.9 per cent in the export price, the value of rubber exports during the year rose by 37.7 per cent, compared with an increase of 15.4 per cent in 1968. Tin exports, on the other hand, were restricted by the quota of the International Tin Council during the early months of the year, and the volume of exports was slightly lower than in 1968. However, because of the increase of 12.5 per cent in the export price, the value of tin exports in 1969 rose by 11.9 per cent over the previous year. There are good prospects for tin exports in 1970 because of the price rise and the lifting of the export quota at the end of 1969.[227]

Maize exports registered a moderate increase of 8.1 per cent in 1969, compared with a sharp rise of 35.8 per cent in the previous year. As a result of the increase of 4.7 per cent in the export price, against the decline in 1968, the value of maize exports rose by 17.6 per cent compared with a corresponding increase of 14.8 per cent in the preceding year.

Exports of tapioca products rose by 7 per cent in 1969, against 13.7 per cent in 1968, but the value of exports increased by 8.2 per cent, compared with 6.3 per cent in the previous year, because of the general increase in the export prices of tapioca products. Exports of jute and kenaf, on the other hand, after a bad year in 1968, increased in both quantity and value in 1969, by 10.4 per cent and 38.7 per cent respectively.

Exports of teak, another important traditional export, have declined in the last few years, mainly due to the depletion of supply and the conservation policy of the Government. In 1969, teak exports declined by 4.9 per cent in volume and 5.3 per cent in value. The new export items, which surpassed teak in terms of export value in 1968, were fresh, frozen and preserved shrimps and tobacco leaves.

In 1969, shrimp exports increased by 3.7 per cent in volume, but the value was 6.3 per cent lower than in the previous year because of the significant drop in export prices. The export price of shrimps improved towards the end of 1969 and the shrimp export trade is expected to flourish in 1970. Because of the poor weather conditions in the tobacco-growing areas which adversely affected the quality and quantity of the product, the export price for tobacco fell by 13.5 per cent, and exports declined by 11.8 per cent in volume and 23.6 per cent in value. Improved weather conditions during the growing season of the new crop have brightened the prospects for tobacco exports during 1970.

[227] *Bangkok World*, 30 December 1969.

Kapok fibre is another commodity which appears to have good prospects for export. In 1968 there was a sharp rise in the quantity and value of exports by 10.8 per cent nd 34.5 per cent respectively. In 1969, large orders from abroad prompted a rapid rise in the domestic price of kapok and made it difficult for exporters to fulfil their export contracts, with the result that kapok export declined by 33.8 per cent in volume and 21 per cent in value in 1969.

The above review of export performance indicates that, with the exception of rice and teak, the prospects are promising for other major export commodities. Even in kapok fibre, if exports are properly organized, the prospects for export would be brightened.

Imports of merchandise

In 1969, the value of imports rose by 14.5 per cent, against 8.6 per cent in 1968. Imports of capital goods increased by 8.8 per cent, against 15.4 per cent in 1968, while imports of intermediate products and raw materials (chiefly for consumer goods) rose by 10 per cent in 1969, against 8.7 per cent in the previous year, and intermediate products and raw materials (chiefly for capital goods) rose by 23.7 per cent in 1969, against a decline of 5.6 per cent in 1968. Imports of consumer goods, on the other hand, increased by 6.4 per cent in 1969, against 3.2 per cent in 1968.

Trade balance

The different performances of exports and imports resulted in a rapid increase in the trade deficit, from 4.8 per cent of GDP in 1966 to 9.1 per cent in 1969. About 25.3 per cent of total imports of merchandise in 1969 had their own sources of foreign exchange. They included (i) imports in connexion with the United States military programme; (ii) imports under foreign grants and loans for development projects; and (iii) imports required for industrial promotion projects.

Services

In regard to service transactions, there has been a significant rise in receipts from United States military expenditure since 1966. In 1965, these receipts were equivalent to about 7.3 per cent of the total exports of goods and the percentage rose steadily from 18.7 per cent in 1966 to 37.1 per cent in 1968, but declined to 28.3 per cent in 1969. The receipts from this item, in effect, accounted for the sizeable surplus in the services account of the balance of payments during the last few years. In 1967, the surplus in services was equivalent to about 5.5 per cent of GDP. In the succeeding years, the percentage fell slightly to 5.3 per cent in 1968 and 4.8 per cent in 1969. The receipts from United States military expenditure are an important factor, helping to cover the level of the trade deficit in recent years, and the withdrawal of United States military personnel may create some problems in the country's balance of payments. These problems may be lightened by the increase of earnings from tourism. In 1969, total income from tourism, excluding income from R-and-R visits of United States military personnel from the Republic of Viet-Nam, rose by 18.8 per cent against 17.8 per cent in 1968, and represented 8 per cent and 7.5 per cent respectively of total export earnings.

Balance of payments

Considering the balance of trade together with transfer payments and capital movement, Thailand's international reserves in 1969 are expected to fall by some $48 million. In 1970, the country may lose even more, and the drain on international reserves may continue in subsequent years if no appropriate measures are taken to cope with the situation. These measures could be for reducing imports or increasing exports, or a combination of the two.

Resource gap

In 1969, total capital formation increased by 8 per cent, but domestic savings increased by only 5.6 per cent, compared with an increase of 8.3 per cent in capital formation and 0.5 per cent in domestic savings in 1968. Before 1967, the size of the resource gap was about one per cent of GDP but it expanded rapidly to 2.2 per cent in 1967 and 4.6 per cent[228] in 1969.

The rapid expansion of the resource gap in recent years was due mainly to the sharp rise in the marginal propensity to consume and the continued growth in capital formation. Total consumption increased by 10 per cent per year, compared with a growth rate of 7.8 per cent in domestic production. This development should be closely examined in order to apply remedial measures.

Public savings

In the public sector, Government revenue increased by 11.6 per cent in 1969, against 12.6 per cent in 1968, and consumption expenditure increased by 13.1 per cent in 1969, against 16.9 per cent in 1968, resulting in an increase in public savings of 8 per cent in 1969, against 3.4 per cent in 1968. The

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(billion baht)

	1966	*1967*	*1968*	*1969*[a]
Capital formation	22.80	29.15	31.56	34.07
Domestic savings	22.44	26.75	26.87	28.38
Resource gap	0.36	2.40	4.69	5.69
Percentage of resource gap to GDP (%)	0.38	2.22	4.06	4.56

Source: National Economic Development Board (NEDB).
[a] Preliminary.

Table II-2-30. Thailand: Balance of payments, 1966-1969
(Merchandise imports classified by sources of foreign exchange)

(in billion baht)

	1966	1967	1968	1969[a]
1. Imports of merchandise	18.30	21.96	23.84	27.20
2. *Less:* Imports under official grants and loans	1.17	1.47	1.68	1.32
3. Imports for US military expenditure	1.64	2.72	2.75	2.44
4. Imports required for industrial promotion projects	1.45	2.01	2.41	3.13
5. Adjusted imports	14.04	15.76	17.00	20.31
6. Capital goods and raw materials	5.77	6.94	7.52	9.00
7. Imports on instalment basis	0.61	1.00	1.33	3.10
8. Consumer goods and others	7.65	7.81	8.16	8.21
9. Exports of merchandise	13.82	13.81	13.27	14.82
10. Adjusted trade deficit (9—5)	—0.22	— 1.95	—3.73	—5.49
11. Service receipts (excluding US military expenditure)	2.10	2.17	1.98	2.21
12. Service payments	0.84	1.03	1.41	1.38
13. Net services (3+14+11—12)	3.85	5.25	5.50	5.03
14. Net inflow of US military expenditure	0.94	1.39	2.17	1.76
15. Net inflow of official loans and transfers	—0.35	—0.27	0.03	—0.33
16. Net inflow of private loans and transfers	1.39	0.30	0.75	1.32
17. Net inflow of foreign travel and investment income	0.26	0.66	0.65	0.94
18. Change in international reserves (10+11—12+14+15+16+17)[b]	3.28	1.27	0.45	—1.00
Percentage of GUP:				
Adjusted trade deficit	0.23	1.81	3.23	4.37
Total trade deficit	4.78	7.55	9.16	9.87

Source: Bank of Thailand.
Notes: Services exclude foreign travel and investment income.
[a] Preliminary.
[b] Figures do not necessarily add to totals due to rounding.

marginal propensity to save with respect to government revenue was about 0.34 between 1961 and 1967 but fell steadily to only 0.14 during 1967-1969. This unfavourable trend requires rectification, especially as the draft annual plan for 1970 envisages a low growth rate of government revenue as compared with 1969, while current expenditure is expected to expand at the same rate as in the previous year. As a result, public savings are projected to be lower than those of 1969. In other words, a negative marginal propensity to save is envisaged.

In these circumstances, a policy of austerity may be called for, along with measures to raise the level of government revenue which, in turn, will serve to reduce consumption in the private sector.

Public finance

If current expenditure is added to investment expenditure, it appears that the budget cash deficit rose sharply from less than 10 per cent of government revenue before 1967 to 19 per cent in 1969, and the deficit is expected to be about 28 per cent in 1970.[229] The normal practice was to finance the cash deficit largely by non-inflationary resources and this was an important factor responsible for economic stability in the country. If the decline in the marginal propensity to save is not halted, the Government may be forced to resort to large borrowings from the Bank of Thailand.

Private savings

The private sector's marginal propensity to save with respect to disposable income was about 0.32 before 1967, but there was a sharp drop to 0.10 in 1967-1969. In the 1967-1969 period, the rapid in-

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(billion baht)

	1966	1967	1968	1969
Government revenue	12.71	14.78	16.65	18.58
Government total expenditure	13.64	17.35	19.74	22.20
Budget cash deficit	—0.93	—2.57	—3.09	—3.62
Borrowing from Bank of Thailand Use of treasury cash balance	2.45	2.02	1.44	0.96
Other receipts	0.47	0.59	0.44	1.24
Percentage of cash deficit to Government revenue	7.65	17.36	18.55	19.45

Source: National Economic Development Board (NEDB).

crease in private consumption, at a rate of 8.5 per cent per annum, coupled with a lower rate of growth of 7.1 per cent in disposable income, resulted in an increase in private domestic savings of only 2.6 per cent. In 1969, disposable income increased by 7.6 per cent, against 6.6 per cent in 1968; private consumption rose by 9 per cent, against 8 per cent in 1968; and domestic savings increased by 3.3 per cent, against 2.2 per cent in 1968.

The rapid increase in consumption expenditure in recent years suggests that it is necessary to curb consumption and to increase saving through measures such as increased taxation of the high income group and spending on luxuries, tightening of credit facilities for consumer durables (e.g., automobiles for personal use) and restrictions on certain businesses or activities which encourage spending on luxuries.

Money supply and prices

During the 1968/69 fiscal year, money supply increased by 5 per cent, against 7.5 per cent in 1967/68. The main factor responsible for the expansion in money supply was the increase in net bank claims on the public sector. On the other hand, the fall in foreign assets absorbed part of the money supply. Bank credit extended to the private sector increased substantially but time and saving deposits and other bank liabilities together helped to reduce its inflationary impact.

The wholesale price index rose by 0.4 per cent[230] in 1969, while the consumer price index increased by 2 per cent,[231] indicating a moderate degree of stability in the economy during the year.

Problems and policy issues for 1970

Two important problems confront the Thai economy, namely the trade and budget deficits. To solve these problems, it seems necessary to increase taxation to slow down consumption, while the long-term efforts of boosting production and exports should continue unabated.

In increasing production and export, what can be done soon and without much difficulty, appears to be in the agricultural sector. Attention should be given to the promotion of cash crops which have good prospects for external demand and production, and to market research, export promotion and management, to ensure that the quality, quantity and prices of exports are set at levels that will allow the market for such products to expand further. Development projects and programmes to increase production need to be carefully designed to take into consideration not only the production processes but also various linkages from production to the final markets, to make sure that there will be no bottlenecks and other problems.

With respect of agricultural production, a more effective plan seems necessary, placing more emphasis on intensive cultivation. Investments in irrigation, research and extension services, agricultural credits, agricultural co-operatives and land utilization could yield quick returns. An investment programme for irrigation,[232] for instance, should give greater emphasis to smaller-scale projects yielding more immediate benefits, such as the building of ditches, dykes, and embankments to provide water for larger areas, instead of highly expensive dams and similar capital-intensive projects.

Moreover, the new irrigation projects should be designed to provide greater benefit to the production of cash crops other than rice, in accordance with the changing market conditions and consistent with the policy of agricultural diversification. As for rice cultivation, instead of increasing acreage, emphasis should be given to raising the yield per hectare to a level comparable with that of some other Asian countries,[233] In general, greater area should be reserved for the production of other cash crops.

To increase the output and export of individual products, separate programmes should be made to suit the specific problems and market prospects of a particular crop. Rubber and maize have good market prospects but some difficulties are encountered in increasing their production. The policy for these two crops should be designed to raise output as well as to improve the quality of the products. The acreage for maize should be expanded, if possible, to include marginal paddy lands, woodlands and the encroached forest lands. The output of rubber, on the other hand, could be raised by replanting and improving the curing process.

Regarding manufacturing, the target growth rate of 10 per cent per annum, as specified in the annual plan for 1970, is about the same as that of past performance. This growth rate is not sufficient to bring about any significant transformation and struc-

[230] First 10 months of 1969 on corresponding period of 1968.

[231] First 8 months of 1969 on corresponding period of 1968.

[232] Development expenditures on irrigation in 1969 totalled 1,634 billion baht, which represents about 66 per cent of total development expenditures for agriculture.

[233] The yield of rice per hectare is low in Thailand by the standards of many Asian countries, including not only China (Taiwan), the Republic of Korea and Japan but also Malaysia, Ceylon and Indonesia. It is interesting to note that the farmers who used improved seeds provided by the Rice Department, with appropriate control of water and fertilizers, were able to double their yield per hectare. However, this has been done on a limited scale only. If this new practice were adopted by farmers throughout the country, the yield per hectare could be raised considerably.

tural change.[234] The existing target rate should be raised and the development programme for manufacturing should be revised to bring about a higher rate of growth.

Although the promotion of industries is considered satisfactory so far as attracting private domestic and foreign investors is concerned, its real contribution to GDP and to the international reserve position needs to be assessed.

The development of the tertiary sector was concentrated in infrastructure during the first plan and the early period of the second plan. During the later years of the second plan, when the country is being confronted with the problems of trade and budget deficits, development investments ought to be shifted towards directly productive activities in order to reduce the capital-output ratio or to increase the output relative to capital invested. Another form of investment which is essential for creating an economic base for the nation and bringing about high efficiency is in education to raise the productivity of labour. In 1969, development expenditure for education was raised to 24.8 per cent of total expenditure, against 22.4 per cent in 1968, and in 1970 it is expected to be 26.2 per cent. This momentum should be maintained at least for the next four or five years.

[234] A study made by the ECAFE Regional Centre for Economic Projections and Programming found that a growth in manufacturing of 10.7 per cent per year would only raise the share of manufacturing to GDP from 14.5 per cent to 18.9 per cent of GDP within a period of thirteen years (1967 to 1980).

With respect to Government expenditure, the performance in the last few years indicates a substantial expansion in consumption and a decline in public sector savings. A serious effort to improve this situation by increasing revenue and slowing down consumption expenditure may be called for. Government revenue can be increased by improving tax administration and imposing higher tax rates on higher income groups and persons who receive large benefits from the society.

In Thailand, the planning process may now be able to make increasing use of the tools of economic analysis and prepare a policy-frame for the various agencies to formulate development projects and the preparation of the annual budget. It may be possible to follow closely the operation of each approved project, to assess its progress, and to identify and solve the problems involved. Familiarity with the progress and the problems would greatly facilitate the formulation of annual plans in time for the annual budget preparation by the Budget Bureau.

The economic situation in the immediate future may not be as favourable as in the past. Even so, the future prospects for the Thai economy remain promising, and it should be able to maintain high rates of growth, provided that more efforts are made in the preparation, implementation, and co-ordination of development plans and policies.

ASIAN ECONOMIC STATISTICS

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UNITS AND SYMBOLS EMPLOYED

Unless otherwise stated "tons" relate to metric tons, and "billion" signifies a thousand million.

The following symbols have been used throughout:

* = 12 months beginning 20-23 March of the year stated.
‡ = 12 months beginning April of the year stated.
† = 12 months ending September of the year stated.
ø = 12 months ending June of the year stated.
I, II, III, and IV for quarters of years.

. = not applicable.
... = not available.
— = nil or negligible.
r = revised figures from this issue.
Figures in italics are provisional or unofficial.

Substantial breaks in the homogeneity of a series are indicated either by a horizontal line across the column or by vertical double lines in a row of figures.

SOURCES

To ensure comparability, data compiled or published by the United Nations Statistical Office have been incorporated wherever feasible; material supplied by governments, publications of governments, of the United Nations specialized agencies and of international commodity study groups have been used as additional sources.

(See also explanatory note on page iv, Economic Survey of Asia and the Far East, 1969)

REGIONAL STATISTICS

1. DEVELOPING ECAFE REGION: REGIONAL STATISTICAL SERIES

Annual and quarterly figures

	1963	1964	1965	1966	1967	1968	1969	1968 II	1968 III	1968 IV	1969 I	1969 II	1969 III
POPULATION[a] *(Midyear estimates, millions)*													
Series A	1 589	1 621	1 658	1 692	1 727	*1 762*	*1 796*	.	.	.	.	.	.
Series B	880	901	927	950	974	998	*1 022*	.	.	.	.	.	.
AGRICULTURAL PRODUCTION													
Index of agricultural production[b] *(1952—1956=100)*													
All commodities	129	131	130	131	138	144	150	.	.	.	.	.	.
Food	129	132	129	130	137	145	150	.	.	.	.	.	.
Per capita food	104	104	100	98	100	103	104	.	.	.	.	.	.
Production													
Cereals *(million tons)*													
Rice (paddy)	128.5	133.4	119.8	120.0	133.6	141.2	*145.6*	.	.	.	.	.	.
Wheat	20.4	19.4	22.6	20.2	22.6	30.8	*32.8*	.	.	.	.	.	.
Maize	11.6	13.2	11.9	12.9	14.4	14.2	*15.4*	.	.	.	.	.	.
Millet and sorghum	17.9	19.0	14.9	17.7	20.0	17.9	*18.6*	.	.	.	.	.	.
Starchy root crops *(million tons)*													
Potatoes	4.5	3.9	5.1	5.6	5.1	6.0	*6.6*	.	.	.	.	.	.
Sweet potatoes and yams	9.4	12.7	11.8	11.6	10.6	11.2	*11.6*	.	.	.	.	.	.
Cassava	17.4	18.5	17.6	19.2	18.6	20.2	*20.4*	.	.	.	.	.	.
Oilseeds *(thousand tons)*													
Groundnuts (in shell)	6 324	7 021	5 368	5 662	6 981	5 722	*6 744*	.	.	.	.	.	.
Copra	2 667	2 710	2 701	2 861	2 538	2 575	*2 517*	.	.	.	.	.	.
Tea *(thousand tons)*	670	700	707	708	716	748	*752*	.	.	.	.	.	.
Tobacco *(thousand tons)*	770	811	830	843	934	1 003	*976*	.	.	.	.	.	.
Fibres *(thousand tons)*													
Cotton (lint)	1 596	1 597	1 498	1 546	1 702	1 701	...	.	.	.	.	.	.
Jute and allied fibres	2 794	2 720	2 810	3 094	3 031	1 960	*2 946*	.	.	.	.	.	.
Natural rubber *(thousand tons)*	1 895	2 020	2 148	2 249	2 284	2 445	*2 668*	.	.	.	.	.	.
INDUSTRIAL PRODUCTION													
Index of industrial production[c] *(1963=100)*													
Mining and manufacturing	100	110	120	125	132	143	...	139	144	151	155	154	156
Mining	100	107	117	125	141	156	...	156	159	164	165	172	169
Manufacturing	100	110	120	125	129	139	...	134	139	146	151	148	151
Light manufacturing	100	109	119	124	128	134	...	129	133	139	146	142	144
Heavy manufacturing	100	112	121	126	131	148	...	144	150	158	158	157	163
Food, beverages, tobacco	100	105	113	125	125	*132*	...	126	128	137	155	148	143
Textiles	100	114	117	116	120	129	...	123	132	132	129	129	140
Paper and paper products	100	106	113	124	131	144	...	142	144	152	147	154	153
Chemicals, petroleum and coal products	100	110	114	124	134	153	...	149	159	165	158	163	171
Non-metallic mineral products	100	107	118	122	133	139	...	138	135	148	148	150	156
Basic metals	100	103	106	111	110	117	...	112	118	126	128	123	126
Metal products	100	119	134	136	136	160	...	154	163	169	175	169	173
Electricity and gas	100	114	130	144	161	*187*	...	182	198	199	199	219	227
Production *(thousand tons)*													
Coal *(million tons)*	81.9	79.2	84.5	*86.9*	*88.0*	*85.6*	...	*22.1*	*20.3*	*20.7*	*24.2*	*24.3*	*24.0*
Iron ore *(million tons)*	30.0	30.3	33.4	*35.2*	*33.7*	*35.0*	...	*8.9*	*8.6*	*8.8*	*9.7*	*9.1*	*8.5*
Tin in concentrates	91.2	94.5	100.2	*106.3*	*110.5*	*117.6*	...	*28.8*	*31.2*	*28.6*	*29.2*	*28.6*	*29.7*
Petroleum, crude *(million tons)*	101.6	114.2	129.7	*139.5*	*165.5*	*178.7*	...	*42.8*	*45.9*	*47.5*	*50.8*	*51.3*	*53.3*
Salt	7 284	7 294	7 802	*7 031*	*7 610*	*6 430*	...	*3 042*	*1 081*	*796*	*1 686*	*3 545*	*1 228*
Sugar	6 091	6 860	7 862	*7 734*	*6 451*	*6 279*	...	*967*	*777*	*1 735*	*3 591*	*1 565*	*642*
Cotton yarn	1 362	1 472	1 466	*1 463*	*1 501*	*1 573*	...	*392*	*402*	*391*	*398*	*410*	*416*
Cotton fabrics *(million metres)*	6 508	6 859	6 591	*6 506*	*6 591*	*6 791*	...	*1 712*	*1 713*	*1 654*	*1 671*	*1 730*	*1 720*
Jute manufactures	1 624	1 633	1 714	*1 632*	*1 681*	*1 772*	...	*449*	*445*	*438*	*344*	*369*	*391*
Paper excluding paperboard	510	566	589	*691*	*706*	*772*	...	*182*	*193*	*208*	*204*	*211*	*218*
Vegetable oils	1 164	1 404	*1 492*	*1 218*	*1 295*	*1 399*	...	*327*	*341*	*360*	*421*	*417*	*420*
Cement *(million tons)*	18.0	19.3	21.7	*24.1*	*26.1*	*29.8*	...	*7.5*	*7.4*	*8.0*	*7.7*	*8.6*	*8.4*
Steel (ingots and metal for castings)	6 363	6 413	6 845	*7 171*	*7 225*	*7 196*	...	*1 731*	*1 790*	*1 830*	*1 922*	*1 836*	*1 945*
Tin metal	87.4	74.3	81.1	*91.2*	*106.0*	*113.5*	...	*28.0*	*30.0*	*27.4*	*29.2*	*26.3*	*29.4*
Electricity *(billion kWh)*	43.3	50.0	60.5	*66.5*	*74.2*	*84.3*	...	*20.9*	*21.5*	*22.0*	*22.2*	*23.7*	*24.6*
TRANSPORT[d]													
Railway traffic *(billions)*													
Passenger kilometres	129.0	135.0	138.5	146.5	143.0	147.4	...	*41.0*	*34.6*	*35.4*	37.0	40.0	38.2
Freight ton-kilometres	111.8	112.7	123.6	125.7	132.2	137.8	...	*34.9*	*31.3*	*32.7*	*36.8*	35.8	*35.1*
International sea-borne shipping[e] *(million tons)*													
Freight loaded	134.5	150.8	174.6	179.9	218.3	228.4	...	49.2	58.1	58.1	55.8	56.1	57.0
Freight unloaded	83.6	92.9	100.0	111.7	110.2	119.2	...	29.3	28.7	31.3	31.8	31.0	32.7

1. DEVELOPING ECAFE REGION: REGIONAL STATISTICAL SERIES (*Cont'd*)

Annual and quarterly figures

	1963	1964	1965	1966	1967	1968	1969	1968 II	1968 III	1968 IV	1969 I	1969 II	1969 III
TERNAL TRADE													
Total value *(million US dollars)*													
Imports	11 572	12 650	13 403	14 054	15 552	16 770	...	*4 144*	*4 151*	*4 456*	*4 192*	*4 386*	*4 653*
Exports	9 365	10 109	10 619	11 083	12 067	13 087	...	*3 148*	*3 405*	*3 653*	*3 400*	*3 544*	*3 716*
Quantum index[f] *(1963=100)*													
Imports	100	107	113	119	131	143	...	142	143	155	140	149	161
Exports	100	105	109	115	119	136	...	134	138	150	135	141	159
Unit value index[f] *(1963=100)*													
Imports	100	101	102	101	100	97	...	98	97	97	99	99	98
Exports	100	100	101	101	99	97	...	97	98	98	101	103	104
Terms of trade[f] *(1963=100)*	100	99	99	100	99	100	...	99	101	99	103	104	106
rection of trade[g] *(million US dollars)*													
Imports from:													
ECAFE countries	4 260	4 371	4 907	5 630	6 560	6 971	...	*1 696*	*1 840*	*1 985*	...	...	...
Developing ECAFE countries	2 487	2 441	2 488	2 833	3 128	3 224	...	*753*	*832*	*920*	...	...	...
Western Europe *(including UK)*	3 041	3 198	3 564	3 584	3 789	3 886	...	*1 015*	*994*	*1 002*	...	...	...
UK	1 313	1 233	1 356	1 282	1 220	1 194	...	*316*	*296*	*299*	...	...	...
USSR and Eastern Europe	457	543	552	510	516	610	...	*179*	*157*	*137*	...	...	...
North America	2 897	3 015	3 066	3 585	3 757	3 726	...	*965*	*937*	*906*	...	...	...
US	2 473	2 580	2 870	3 323	3 450	3 415	...	*898*	*835*	*826*	...	...	...
South America	23	37	42	56	65	70	...	*14*	*20*	*21*	...	...	...
Middle East and Africa	422	493	487	556	640	748	...	*202*	*241*	*232*	...	...	...
Exports to:													
ECAFE countries	3 515	3 804	3 948	4 356	5 101	5 020	...	*1 260*	*1 356*	*1 377*	...	...	...
Developing ECAFE countries	2 126	2 111	2 251	2 456	2 793	2 647	...	*668*	*711*	*704*	...	...	...
Western Europe *(including UK)*	2 720	2 639	2 758	2 638	3 038	2 701	...	*62*	*754*	*755*	...	...	...
UK	1 184	1 137	1 043	1 043	1 364	1 273	...	*260*	*339*	*322*	...	...	...
USSR and Eastern Europe	532	526	583	624	567	573	...	*137*	*137*	*165*	...	...	...
North America	1 567	1 728	1 949	2 120	2 357	2 723	...	*698*	*725*	*753*	...	...	...
US	1 356	1 543	1 764	1 847	2 112	*2 440*	...	*624*	*650*	*678*	...	...	...
South America	75	95	88	87	78	*63*	...	*13*	*20*	*15*	...	...	...
Middle East and Africa	530	632	724	700	754	687	...	*155*	*192*	*209*	...	...	...
mposition of imports[h] *(million US dollars)*													
Consumption goods													
Food	1 949	2 181	2 352	2 930	*2 654*	*2 469*	...	*1 280*[i]	— *1 189* —		...	...	...
Others	1 617	1 617	1 725	2 032	*2 045*	*2 208*	...	*1 037*[i]	*1 171*		...	...	...
Materials chiefly for consumption goods	2 600	2 622	2 892	3 163	*3 508*	*4 044*	...	*1 878*[i]	*2 166*		...	...	...
Materials chiefly for capital goods	979	948	1 003	960	*1 115*	*1 121*	...	*526*[i]	*595*		...	...	...
Capital goods	3 484	3 841	4 312	4 166	*4 699*	*5 008*	...	*2 448*[i]	*2 560*		...	...	...
ports by SITC sections and selected commodity group[j] *(million US dollars)*													
Food, beverages and tobacco (0 + 1)	2 420	2 530	2 480	2 390	2 450	2 440	...	.	.	.	.	.	.
Cereals (041 to 045)	540	570	550	530	485	400	...	.	.	.	.	.	.
Mineral fuels and related materials (3)	590	550	550	640	700	840	...	.	.	.	.	.	.
Crude materials, excluding fuels oils and fats (2 + 4)	2 960	2 920	3 020	3 140	2 890	3 220	...	.	.	.	.	.	.
Textile fibres (26)	405	450	450	440	380	430	...	.	.	.	.	.	.
Metaliferous ores and metal scrap (28)	320	380	385	415	410	420	...	.	.	.	.	.	.

REGIONAL STATISTICS

1. DEVELOPING ECAFE REGION: REGIONAL STATISTICAL SERIES (*Cont'd*)

Annual and quarterly figures

	1963	1964	1965	1966	1967	1968	1969	1968 II	1968 III	1968 IV	1969 I	1969 II
EXTERNAL TRADE *(Cont'd)*												
Exports by SITC sectors and selected commodity group *(million US dollars) (Cont'd)*												
Chemicals (5)	140	150	165	180	185	200	.	.	.	.	.	.
Machinery and transport equipment (7)	205	200	255	325	360	465	.	.	.	.	.	.
Other manufacturing goods (6 + 8)	2 070	2 370	2 670	2 970	3 280	3 880	..	.	.	.	.	.
Textile yarn and fabrics (65)	890	1 000	1 070	1 040	1 110	1 220	.	.	.	.	.	.
Base metals (67 + 68)	283	329	413	427	465	475	.	.	.	.	.	.
Exports of primary products[k]												
Quantum index *(1963=100)*												
General	100	105	111	113	*123*	*127*	...	*118*	*129*	*136*	*126*	*122*
Food	100	103	99	94	90	84	...	*82*	*85*	*90*	*70*	*74*
Agricultural materials	100	102	107	111	109	123	...	*114*	*114*	*134*	*127*	*114*
Mineral products	100	114	135	141	*193*	*194*	...	*173*	*218*	*200*	*202*	*203*
Unit value index *(1963=100)*												
General	100	99	96	92	*91*	*91*	...	*90*	*91*	*91*	*91*	*93*
Food	100	100	95	92	97	*95*	...	*95*	*99*	*89*	*94*	*97*
Agricultural materials	100	96	97	93	84	*83*	...	83	*82*	*83*	*86*	*86*
Mineral products	100	101	97	90	94	*97*	...	*95*	*95*	*101*	*95*	*98*
Quantity of exports *(thousand tons)*												
Food												
Fish, fresh or simply preserved	97	114	87	114	220	124	...	28	25	36	23	*33*
Cereals[m]	4 831	5 316	4 889	4 345	3 506	3 295	...	859	597	1 106	702	*514*
Sugar	2 279	2 296	2 151	2 295	1 709	1 693	...	691	284	244	368	546
Tea	476	467	481	436	477	468	...	78	156	130	*96*	*99*
Spices	118	114	107	108	128	113	...	26	34	30	*19*	*20*
Agricultural materials												
Hides and skins, raw	31	24	24	22	17	12	...	3	3	3	3	*4*
Oilseeds, oil nuts & oil kernels	1 326	1 270	1 150	1 191	998	*942*	...	214	*229*	*324*	...	...
Rubber, natural	1 831	1 965	2 065	2 075	2 079	2 326	...	545	581	626	*645*	*557*
Wood and lumber	6 641	6 882	8 453	10 495	11 013	12 227	...	3 140	2 950	3 406	*3 020*	*3 868*
Cotton, raw	310	221	303	247	319	329	...	*86*	*36*	*70*	*111*	*51*
Jute, raw	738	755	704	675	527	828	...	99	122	220	156	85
Hemp, raw	132	123	100	87	76	64	...	14	15	14	*17*	*18*
Vegetable oils, not essential	652	713	629	781	649	858	...	203	226	242	*170*	*161*
Mineral products												
Iron ore *(million tons)*	16.90	18.72	19.70	20.80	20.18	21.98	...	6.21	4.99	5.53	5.25	5.50
Tin ore and concentrates	18	18	13	2	*1*	*5*	...	2	1	—	*1*	*2*
Manganese ore	924	1 576	1 147	1 348	1 108	1 189	...	317	286	330	382	309
Coal	1 224	1 592	1 131	518	422	695	...	149	163	219	95	129
Crude petroleum *(million tons)*	65.2	74.5	92.3	98.5	*141.2*	*140.5*	...	*30.1*	*40.3*	*36.4*	*36.7*	*36.8*
FINANCE												
Gold and foreign exchange assets[n] *(end of period, million US dollars)*	3 767	3 544	3 887	4 380	4 538	4 598	...	4 598	4 566	4 598	*4 741*	*4 914*

GENERAL NOTE: In general, the regional statistical series cover the developing ECAFE countries (excluding the developed ECAFE countries of Australia, Japan and New Zealand) except mainland China, Mongolia, Nepal and, in most cases, Afghanistan and Iran; in some cases, other countries have also been omitted because of lack of data. Except in the case of mainland China, countries omitted in the regional series are, from the point of view of the series, usually less important. To maintain comparability, the countries included in different periods for each series are the same.

a. Series A: including mainland China, North Korea and North Viet-nam; Series B: excluding mainland China, North Korea and North Viet-Nam.

b. This index was compiled and calculated by the Food and Agriculture Organization of the United Nations.

c. This index compiled by the United Nations Statistical Office covers, Afghanistan, Brunei, Burma, Ceylon, China (Taiwan), Hong Kong, India, Indonesia, Iran, Republic of Korea, Malaysia (excluding Sabah), Pakistan, Philippines, Singapore, Thailand and the Republic of Viet-Nam. For more detailed statistics and explanatory notes see, the United Nations *Monthly Bulletin of Statistics*.

d. For countries covered see table 18 but excluding developed ECAFE countries.

e. Excluding India for quarterly figures.

f. This index compiled by the United Nations Statistical Office covers Afghanistan, Brunei, Burma, Cambodia, Ceylon, China (Taiwan), Hong Kong, India, Indonesia, Republic of Korea, Laos, Macau; Malaysia, Pakistan, Philippines, Singapore, Ryukyu Islands, Thailand and the Republic of Viet-Nam. The quantum indexes are of the Laspeyres type and the unit value indexes of the Paasche type. The index of terms of trade is the result of dividing the export unit index by the import unit value index.

g. For countries covered, see table 20 but excluding developed ECAFE countries.

h. Comprising Burma, Cambodia, Ceylon, China (Taiwan), Hong Kong, India, Indonesia, Republic of Korea, Laos, Malaysia, Pakistan, Philippines, Singapore, Thailand and Republic of Viet-Nam.

i. 1st half of 1968.

j. Comprising Burma, Cambodia. Ceylon, China (Taiwan), Hong Kong, India, Indonesia, the Republic of Korea, Malaysia, Pakistan, Philippines, Singapore, Thailand and the Republic of Viet-Nam.

k. Exports of 18 primary products and food from 18 developing ECAFE countries and territories (excluding mainland China, Fiji, Mongolia, Nepal and Western Samoa) are included in the index. To minimize the effect of transit trade, only export of domestic produce is included for Hong Kong and net export of rubber is used. The quantity of exports of each item is totalled for 18 countries and territories and then weighted by the total value of exports of each commodity in terms of United States dollars in 1963 to form the quantum index. The unit value index is obtained by dividing the index of total value of exports in United States dollars by the quantum index. The commodities included in the index account for 48.4 per cent of the total value of exports from 18 countries. (If Hong Kong is excluded, the percentage is increased to 53.4).

m. Comprising maize, rice and rice products only.

n. Covers Afghanistan, Burma, Cambodia, Ceylon, China (Taiwan), India, Iran, Republic of Korea, Malaysia, Nepal, Pakistan, Philippines, Thailand and the Republic of Viet-Nam.

2. AREA AND POPULATION

	Area (km²)	Latest census		Estimates of midyear population (thousands)							
		Date	Population	1937	1963	1964	1965	1966	1967	1968	1969
Afghanistan	647 497	...	...	10 972	14 537	14 792	15 051	15 397	15 751	16 113	16 516
Australia[a]	7 686 810	30/ 6/1966	11 550 462[a1]	*6 836*[a1]	10 950	11 167	11 388	11 599	11 810	12 031	12 296
Brunei[b]	5 765	10/ 8/1960	83 877	35	94	97	101	104	108	112	116
Burma	678 033	5/ 3/1941	16 823 798[c]	15 635[c1]	23 735	24 229	24 732	25 246	25 811	26 389	26 980
Cambodia[d]	181 035	17/ 4/1962	5 728 771	3 046[d1]	5 881	6 010	6 142	6 277	6 415	6 557	6 701
Ceylon[d2]	65 610	8/ 7/1963	10 582 064	5 725	10 646	10 903	11 164	11 439	11 703	11 964	...
China (mainland)	9 561 000	30/ 6/1953	582 603 417[e]	452 460	680 000†	690 000†	700 000†	710 000†	720 000†	730 000†	740 000†
China (Taiwan)[f]	36 151	16/12/1966	13 505 463	5 530	11 698	12 070	12 443	12 811	13 145	13 466	13 957
Fiji	18 272	12/ 9/1966	476 727	...	434	449	464	478	490	505	...
Hong Kong[g]	1 034[g1]	2/ 8/1966	3 708 920[g2]	1 282	3 504	3 594	3 692	3 732	3 834	3 925	3 988
India[h]	3 268 090	1/ 3/1961	435 511 606[h1]	303 626[h2]	460 487	471 624	486 650	498 703	511 125	523 893	536 984
Indonesia[i]	1 491 564	31/10/1961	*96 318 829*	67 398	100 832	103 226	105 709	108 283	110 952	113 721	...
Iran	1 648 000	1/11/1966	25 785 210	...	23 649	24 337	25 050	25 789	26 553	27 345	28 166
Japan[j]	369 778[j1]	1/10/1965	98 274 961	70 040[j2]	95 900	96 903	97 952	98 864	99 918	101 080	102 321
Korea	220 231[k]	1/ 5/1944	25 120 174[k1]	21 528	38 368†	39 431†	40 477†	41 486†	42 484†	43 470†	...
Republic of Korea[k2]	98 477	1/10/1966	29 207 856	...	26 868	27 631	28 377	29 086	29 784	30 470	31 139
Laos[m]	236 800	...	...	1 012[m1]	2 509	2 569	2 631	2 694	2 759	2 825	2 893
Malaysia:[b]											
East Malaysia:											
Sabah	76 115	9/ 8/1960	454 421	295[n]	504	524	545	568	591	611	...
Sarawak	125 205	14/ 6/1960	744 529	440	799	818	838	862	903	924	...
West Malaysia	131 313	17/ 6/1957	6 278 758	4 083	7 611	7 814	8 039	8 298	8 540	8 770†	...
Mongolia	1 565 000	5/ 1/1963	1 017 100[k1]	748[m1]	1 034	1 069	1 104	1 139	1 174	1 210†	...
Nepal	140 797	22/ 6/1961	9 412 996	6 000	9 752	9 926	10 103	10 277	10 463	10 652	10 845
New Zealand[p]	268 675	22/ 3/1966	*2 676 919*	1 587	2 532	2 585	2 628	2 676	2 726	2 751	*2 777*
Pakistan[q] A:	946 716	1/ 2/1961	93 831 982	68 594	98 675	100 753	102 876	105 044	107 258	109 520	111 830
B:	.	.	.	.	106 790	109 560	112 410	115 440	118 560	121 760	125 050
Philippines	300 000	15/ 2/1960	27 087 685	15 445	30 241	31 270	32 345	33 477	34 656	35 883	37 158
Singapore[s]	581	17/ 6/1957	1 445 929	651	1 775	1 820	1 865	1 914	1 956	1 988	2 017
Thailand	514 000	25/ 4/1960	26 257 916	14 492	28 923	29 820	30 744	31 698	32 680	33 693	34 738
Viet-Nam	329 556	...	...	18 980[t]	33 117†	34 115†	35 124†	36 043†	37 073†	38 114†	...
Republic of Viet-Nam[t1]	173 809	...	...	...	15 317	15 715	16 124	16 543	16 973	17 414	...
Western Samoa	2 842	21/11/1966	131 377	56	120	123	127	130	134	137	141

Source: United Nations Statistical Office.

General Note: For details and explanatory notes, see United Nations, *Demographic Year book 1968*.

† United Nations estimate.

a. Population excludes armed forces stationed outside country numbering 48 106 in May 1959.

a1. Excluding persons describing themselves as being more than 50 per cent aboriginal or simply as "Aboriginal".

b. Population excludes transients afloat, and are based on natural increase only.

c. Results of last complete census. The first and second stages of a multi-stage census were completed on 1 Feb. 1953 and 1 Feb. 1954, respectively, but no further enumeration was undertaken. The results of the first stage gave a total of 2 940 704 for the *de jure* population in 252 towns approximating the urban area of the Union; in the second stage an additional 2 908 001 persons were enumerated in 3 159 village tracts of which 2 143 in Burma proper and 1 016 in Kachin State, roughly 15 per cent of the total rural area.

c1. 1931 Census area.

d. Population excludes foreign diplomatic personnel and their dependants.

d1. Midyear 1936 estimate.

d2. Census result excludes and estimates include adjustment for under enumeration at census.

e. Population registered. Figure includes an estimate of 8 397 477 for persons living in outlying areas where local registration offices were not established. No adjustment has been made for 0.1 per cent estimated net underenumeration. Source: *Hsin Hua Monthly*.

f. Estimates of midyear population excluding population of Quemoy and Matsu and also armed forces and foreigners.

g. Comprising Hong Kong Island, Kowloon and the New (leased) Territories.

g1. Land area only. Total including ocean area within administrative boundaries, is 2 916 km².

g2. Estimate based on results of sample survey. Excluding transients.

h. Beginning 1965, including data for part of Jammu and Kashmir, the final status of which has not yet been determined. Excluding Sikkim.

h1. Includes an estimate of 626 667 for Goa, Daman and Diu.

h2. Including Kashmir-Jammu, the final status of which has not yet been determined and Sikkim. Excluding Mahé, Karikal, Pondichéry and Yanaon (together population estimated at 323 000 in 1952), Chandernagore, Goa, Daman and Diu.

i. Census data excluding West Irian; estimates including West Irian.

j. Census result excludes Bonin Islands with population about 200 persons.

j1. Excluding Takeshima in Shimane-ken.

j2. Excluding Tokara Archipelago and Amami Islands. Also excluding armed forces outside country. Including foreign diplomatic personnel. 1 October estimate.

k. Includes the area of the demilitarized zone (1 262 km²).

k1. Population is *de jure*.

k2. Population excludes alien armed forces, civilian aliens employed by armed forces and foreign diplomatic personnel and their dependants.

m. Beginning 1963, estimates are based on results of the May 1958 administrative count which has been adjusted upwards by 30 per cent.

m1. 31 December estimate.

n. Excluding Labuan acquired from Straits Settlement in 1946 (population 7 507 at 1 April 1931 census).

p. Including Campbell and Kermadec Islands (population 18 in 1966 area 148 km²), as well as Antipodes, Auckland, Bounty, Snares, Solander, and Three Kings Islands, all of which are uninhabited. Population excludes diplomatic personnel and armed forces stationed outside country, the latter numbering 1 936 at 1966 census; population also excludes alien armed forces within the country.

q. Data are for territory excluding Kashmir-Jammu, the final status of which has not yet been determined; data also exclude Junagardh, Manavadar, Gilgit and Baltistan and census data probably also exclude a considerable number of nomads Estimates for series A excluding adjustment for undernumeration at 1951 and 1961 Censuses; for series B based on Planning Commission's adjustment for underenumeration at 1951 and 1961 Censuses.

s. Population excludes transients afloat and non-locally domiciled military and civilian services personnel and their dependants, numbering 3 466 and 27 299 respectively at 1957 census.

t. For 1936.

t1. Beginning 1963, estimates based on annual rate of increase (2.6 per cent).

POPULATION AND EMPLOYMENT

3. CRUDE RATES OF LIVE BIRTHS AND DEATHS PER ANNUM

Number of live births or deaths per 1,000 persons

Year	Australia[a]	Brunei	Burma[b]	Ceylon	China[c] (Taiwan)	Fiji	Hong Kong[d]	India[e]	Iran	Japan[f]	Malaysia: East Malaysia: Sabah	Malaysia: East Malaysia: Sarawak	Malaysia: West Malaysia	New Zealand	Philippines	Singapore[g]	Thailand	Viet-Nam, Republic of[h]	West Samoa
(1) LIVE BIRTHS																			
1958	22.6	57.9	36.6	35.8	41.7	40.3	37.4	41.7	...	18.1	38.4	26.3	43.3	26.6	29.7	41.3	31.8	34.4	37.[illegible]
1959	22.6	52.5	38.2	37.0	41.2	41.8	35.2		...	17.6	30.4	25.3	42.2	26.5	30.4	39.5	33.6	31.1	37.8
1960	22.4	48.9	42.3	36.6	39.5	39.9	36.0		...	17.2	35.3	25.1	40.9	26.5	29.6	37.8	34.7	29.9	35.1
1961	22.8	49.4	38.5	35.9	38.3	40.9	34.2		36.3	16.9	35.6	25.9	41.9	27.0	27.7	34.0	33.6	25.6	31.2
1962	22.2	43.8	36.7	35.7	37.4	39.5	35.6	...	39.6	17.1	34.7	29.0	40.4	26.2	28.4	33.5	34.7	23.4	34.3
1963	21.6	37.5	42.7	34.4	36.3	38.0	33.8	...	41.7	17.3	33.9	25.8	39.4	25.5	26.0	32.0	35.3	26.6	32.4
1964	20.6	43.0	39.9	33.2	34.5	37.8	31.0	...	41.4	17.7	35.4	27.3	39.1	24.2	25.7	32.0	37.5	29.4	32.3
1965	19.7	41.5	47.0	33.1	32.7	35.9	28.8	...	41.5	18.6	35.8	28.0	36.7	22.9	24.6	29.9	36.4	27.7	30.7
1966	19.3	39.3	42.2	32.3	32.4	34.8	25.8	...	41.6	13.8	36.9	28.9	37.3	22.5	24.6	28.6	34.2	33.8	28.6
1967	19.4	40.6	41.0	31.6	28.5	34.1	24.6	...	39.7	19.4	36.9	27.7	35.3	22.4	24.2	25.9	...	...	28.2
1968	20.0	43.9	40.4	31.8	29.3	30.2	21.3	...	38.5	18.5	37.5	29.0	...	22.6	...	23.8	...	...	26.9
1969	...	...	...	...	...	...	19.8	...	...	18.3	...	...	...	22.5	...	22.2	...	...	...
I	20.2	...	...	...	29.4	...	20.2	...	...	...	...	...	...	22.6	...	22.3	...	...	...
II	20.6	...	...	...	25.6	...	17.6	...	...	...	...	...	...	21.7	...	20.8	...	...	...
III	...	...	...	...	26.4	...	20.0	...	...	...	...	...	...	22.5	...	22.4	...	...	...
IV	...	...	...	...	...	...	21.6	...	...	...	...	...	...	23.2	...	23.3	...	...	...
(2) DEATHS																			
1958	8.5	12.0	19.4	9.7	7.6	7.0	7.2	22.8	...	7.5	7.6	5.7	11.0	8.9	8.5	7.0	8.4	7.0	5.4
1959	8.9	11.7	18.9	9.1	7.2	7.6	6.8		...	7.5	7.3	5.7	9.7	9.1	7.4	6.5	8.0	6.6	4.1
1960	8.6	10.9	19.9	8.6	6.9	6.6	6.2		24.5[j]	7.6	8.3	5.8	9.5	8.8	7.8	6.2	8.4	6.9	3.7
1961	8.5	6.9	18.4	8.1	6.7	6.4	5.9			7.4	6.8	5.2	9.2	9.0	7.5	5.9	7.7	5.7	3.4
1962	8.7	6.9	18.9	8.6	6.4	6.3	6.3	...	6.8	7.5	6.6	5.1	9.4	8.9	7.3	5.9	7.9	5.1	4.9
1963	8.7	7.0	18.3	8.6	6.1	5.8	5.8	...	5.6	7.0	5.6	5.5	9.0	8.9	7.1	5.7	8.1	5.8	4.0
1964	9.0	6.4	17.9	8.8	5.7	6.1	5.2	...	6.0	6.9	5.6	5.1	8.1	8.8	7.1	5.7	7.7	5.7	5.4
1965	8.8	6.6	18.2	8.2	5.5	5.1	4.9	...	6.0	7.2	5.5	5.0	7.9	8.7	7.3	5.5	7.1	6.4	5.7
1966	9.0	6.3	14.1	8.3	5.4	5.2	5.2	...	6.9	6.8	5.9	4.8	7.6	8.9	7.1	5.5	7.5	7.3	6.2
1967	8.7	6.1	12.2	7.5	5.5	5.0	5.3	...	6.7	6.8	5.9	4.8	7.5	8.4	6.9	5.4	...	...	4.6
1968	9.1	6.4	12.9	7.9	5.5	5.2	5.0	...	6.4	6.8	4.8	4.8	...	8.9	...	5.5	...	...	4.1
1969	...	...	...	...	...	...	4.8	...	...	6.7	...	...	...	8.7	...	5.1	...	...	...
I	7.7	...	...	...	5.3	...	5.3	...	...	...	...	...	...	7.6	...	5.0	...	...	...
II	8.4	...	...	...	4.8	...	4.7	...	...	...	...	...	...	8.6	...	5.1	...	...	...
III	...	...	...	...	4.7	...	4.4	...	...	...	...	...	...	9.8	...	5.1	...	...	...
IV	...	...	...	...	...	...	4.7	...	...	...	...	...	...	8.7	...	5.0	...	...	...

Source: United Nations Statistical Office.

a. Prior to 1967 excluding full-blooded aborigines, estimated at 40 081 in June 1961 and 49 036 in June 1966.

b. Data are for a changing number of towns having a population of approximately 2 million for 1958-61, 1 million for 1962, 2 million for 1963, 3 million for 1964-65 and 4 million for 1966-68.

c. Excluding armed forces and foreigners. Also excluding live-born infants dying before registration of birth.

d. Rates computed on population including armed forces have been adjusted to take account of under-registration. For 1968 figures based on midyear 1968 population.

e. These are the intercensal computed rates for 1951-1961 which have been reinstated at the request of the Government of India because they are felt to be more reliable than the data obtained from the Registration Area or from the National Sample Survey.

f. Japanese nationals in Japan only, but rates are computed on population including foreigners except allied military and civilian personnel and their dependants stationed in the area.

g. Rates computed on population excluding transients afloat and non-locally domiciled military and civilian services personnel and their dependants; also exclude vital events among non-locally domiciled military and civilian services personnel and their dependants.

h. Data are for changing territory representing about 90 per cent of total population in 1963.

i. Birth registration estimated to be about 75 per cent complete in 1958-1963.

j. Estimate based on analysis of data from 1956 census. Recorded rate is 6.4 for 1961.

4. EMPLOYMENT

	1967	1968	1968 I	1968 II	1968 III	1968 IV	1969 I	1969 II	1969 III	1969 Sep	1969 Oct	1969 Nov	1969 Dec
AUSTRALIA[a] *(thousands)*													
All Industries	3 902	4 029	3 992	4 023	4 043	4 089	4 121	4 160	4 189	4 202	...	...	...
Manufacturing	1 283	1 310	1 307	1 310	1 314	1 322	1 334	1 343	1 351	1 355	...	...	...
Building and construction	338	349	343	349	350	350	353	357	360	360	...	...	...
Transport and storage	227	232	230	232	232	235	236	237	237	238	...	...	...
Commerce and finance	851	874	871	872	876	875	894	900	904	907	...	...	...
Public authority and community services[b]	703	740	725	738	744	749	765	780	788	790	...	...	...
CHINA (Taiwan) *(thousands)*													
All industries[c]	3 973	4 159	4 013	4 100	4 298	4 226	4 258	4 370	4 606	...	—	4 500	—
Primary	1 705	1 652	1 615	1 641	1 745	1 606	1 619	1 710	1 879	...	—	1 705	—
Secondary	997	1 032	997	1 035	1 033	1 063	1 115	1 120	1 194	...	—	1 253	—
Tertiary[d]	1 271	1 476	1 401	1 424	1 520	1 557	1 524	1 540	1 535	...	—	1 542	—
HONG KONG *(thousands)*													
Mining and quarrying	1.5	1.4	...	...	...	...	...	...	...	...	...	...	...
Manufacturing	417.2	476.6	..	...	...	...	...	...	...	...	...	...	...
INDIA *(thousands)*													
Factories under Factory Act[d]	4 743	...	...	...	...	...	...	...	...	...	...	...	...
Cotton mills[d]	791	759	776	755	756	748	740	735	735	...	...	...	...
Coal mines[e]	394	379	393	370	372	380	378	380	...	...	...	...	...
Public sector[f]	9 727	9 933	9 802	9 810	9 879	9 933	10 027	10 080	...	...	...	...	...
Central government (incl. railways)	2 690	2 712	2 715	2 718	2 711	2 712	2 726	2 695	...	...	...	...	...
Others[f]	7 037	7 221	7 087	7 092	7 168	7 221	7 301	7 385	...	...	...	...	...
JAPAN[g] *(thousands)*													
All Industries	49 200	50 020	47 693	51 173	50 980	50 220	48 360	51 477	51 345	51 470	51 300	50 490	49 510
Agriculture, forestry and hunting	9 700	9 340	7 583	10 403	10 243	9 130	7 370	10 170	9 877	9 770	9 870	8 550	7 230
Mining	260	270	273	267	256	270	243	227	237	240	240	240	230
Manufacturing	12 520	13 050	12 990	13 133	13 080	13 003	13 260	13 520	13 453	13 770	13 500	13 530	13 640
Construction	3 590	3 700	3 653	3 603	3 656	3 880	3 760	3 570	3 703	3 630	3 650	3 830	3 940
Commerce	10 850	11 110	10 983	11 193	11 170	11 090	11 247	11 263	11 403	11 250	11 260	11 400	11 530
Transportation, communication and other public utilities	3 160	3 290	3 173	3 267	3 376	3 330	3 360	3 397	3 390	3 370	3 270	3 340	3 460
Services (non-government)	6 800	7 130	6 940	7 183	7 106	7 293	7 030	7 227	7 203	7 400	7 420	7 470	7 370
MALAYSIA: West Malaysia[h] *(thousands)*													
Estate[i]	273	...	...	...	...	...	...	...	...	...	...	...	...
Rubber	232	...	...	...	...	...	...	...	...	...	...	...	...
Tin mining	48	...	...	...	...	...	...	...	...	...	...	...	...
Government	267	...	...	...	...	...	...	...	...	...	...	...	...
NEW ZEALAND[j] *(thousands)*													
All industries	722	719	721	712	712	723	737	...	...	...	...	...	...
Primary[k]	11	12	11	12	13	12	11	...	...	...	...	...	...
Manufacturing	255	250	251	248	243	251	260	...	...	...	...	...	...
Building and construction	65	61	60	59	59	59	60	...	...	...	...	...	...
Transport and communication	74	74	74	73	73	73	74	...	...	...	...	...	...
Commerce[m]	139	150	141	139	137	141	142	...	...	...	...	...	...
PHILIPPINES													
Index of employment[n] *(1963=100)*													
All industries	105.7	108.2	107.3	108.0	108.2	109.5	109.4	109.1	...	...	...	...	...
Mining	110.2	110.3	110.0	110.0	110.4	110.4	108.8	108.4	...	...	...	...	...
Manufacturing	104.8	107.6	107.7	107.3	106.1	109.5	110.2	108.7	...	...	...	...	...
SINGAPORE[p] *(thousands)*													
All industries	152	160	158	...	160	...	...	...	...	...	...	...	...
Agriculture, forestry and fishing	1	1	1	...	1	...	...	...	...	...	...	...	...
Manufacturing	65	73	70	...	73	...	...	...	...	...	...	...	...
Construction	15	14	15	...	14	...	...	...	...	...	...	...	...
Electricity, gas, water and sanitary services	10	10	10	...	10	...	...	...	...	...	...	...	...
Commerce	12	13	13	...	13	...	...	...	...	...	...	...	...
Transport, storage and communication	24	25	25	...	25	...	...	...	...	...	...	...	...
Services	23	23	23	...	23	...	...	...	...	...	...	...	...
THAILAND[d] *(thousands)*													
Mining	45.7	47.3	46.8	46.9	48.4	47.1	...	...	...	...	...	...	...

NOTE: Unless otherwise stated, the data refer to the total number at work at a specified date in each month or quarter. For certain countries, however, the data refer to the average number of employed in the period.

a. Wage and salary earners in civilian employment (excluding defence forces and employees in agriculture and private domestic service). The figures are based on comprehensive data from the Population Census of June 1966. Annual figures relate to June.

b. Includes law and order; religion and social welfare; health services; education; and other community and business services.

c. (i) Employed persons from Labour Force Survey, for population of 15 years and over; (ii) Mining included under secondary industry; (iii) Quarterly figures relate to first month of each quarter.

d. Daily average.

e. Average daily employment in all coal mines governed by the India Mines Act. Quarterly figures are slightly short of total coverage.

f. End of period. For 'others' comprising state government, quasi-government and local bodies.

g. Average for the week ending on the last day of the month, except for December when the work prior to holiday seasons was chosen.

h. Annual figures relate to July.

i. Comprising rubber, oil palm, coconut, tea and pineapple estates.

j. Annual figures relate to end of April. Quarterly figures are average of mid-month estimates.

k. Excludes farming, fishing and hunting.

m. Including wool stores.

n. Comprising all full and part-time employees who were on the payroll, i.e., who worked during, or received pay for, the pay period ending nearest the 15th of the month. Excluding proprietors, self-employed persons, domestic servants and unpaid workers.

p. Workmen and industrial clerks. Annual figures relate to September; quarterly figures relate to March and September for first and third quarter respectively.

5. NATIONAL INCOME AND GROSS NATIONAL PRODUCT

A. National income. B. Gross national product at market prices *Billio*

Year	Australia[r] (*A. dollar*)		Brunei (*Malaysian dollar*)		Burma (*kyat*)		Cambodia (*riel*)		Ceylon (*rupee*)		China (mainland) (*yuan*)	China (Taiwan) (*NT dollar*)		Fiji (*Fiji dollar*)	India (*rupee*)	
	A	B	A	B	A	B	A	B[a]	A	B	A[b]	A	B	B[c]	A	B
1953	7.49	8.89	...	...	4.65	5.29	...	13.5	4.38	4.68	70	19.5	23.0	50.8	105	..
1954	8.02	9.60	...	...	4.78	5.52	...	15.0	4.55	4.95	74	20.8	25.2	...	96	..
1955	8.65	10.41	0.22	0.24	4.91	5.66	...	14.7	5.17	5.55	79	24.7	30.1	...	100	..
1956	9.33	11.30	0.24	0.26	5.12	5.88	...	16.7	4.75	5.33	89	28.1	34.5	...	113	..
1957	9.19	11.44	0.25	0.27	5.35	6.28	...	17.8	4.95	5.55	93	32.4	40.3	61.1	114	..
1958	9.88	12.27	0.23	0.25	5.40	6.31	...	18.7	5.27	5.89	125	35.9	44.8	...	126	..
1959	10.98	13.59	0.23	0.25	5.63	6.55	...	20.6	5.63	6.33	152	41.6	51.7	...	130	..
1960	11.60	14.40	0.19	0.20	5.92	7.06	...	21.9	5.92	6.64	169	50.8	62.6	...	133[r]	150
1961	11.92	14.77	...	...	6.10	7.21	...	22.0	5.94	6.65	...	57.0	69.8	...	141[r]	160
1962	12.90	15.94	...	...	6.00	7.08[r]	19.1	22.9	6.16	6.96	...	61.5[r]	76.9[r]	82.0	149[r]	171
1963	14.36	17.71	...	...	6.71	7.92	21.4	25.3	6.56[r]	7.30	...	70.6[r]	87.1[r]	108.5	171[r]	197
1964	15.80	19.52	...	...	6.45	7.59[r]	23.2	27.4	6.94[r]	7.79[r]	...	84.6[r]	102.2[r]	115.1	201[r]	230
1965	16.41	20.46	...	...	7.15	8.42	24.7	30.4	7.08[r]	8.04[r]	...	91.6[r]	112.9[r]	119.1	206[r]	239
1966	18.06	22.42	...	...	7.06	8.29	26.5	32.1	7.32[r]	8.37[r]	...	102.0[r]	125.6[r]	123.4	236[r]	273
1967	18.98	23.72	...	...	7.28	8.59	...	...	7.84[r]	9.06[r]	...	115.2[r]	143.0[r]	132.0	279	...
1968	21.39	26.60	...	...	8.40	9.80	...	...	9.36	10.74	...	133.2[r]	168.0[r]	140.0	281	...

Year	Indonesia[d] (*rupiah*)		Iran (*rial*)		Japan[r] (*yen*)		Korea Republic of (*won*)		Malaysia[e] (*Malaysian dollar*)		Nepal (*rupee*)	New Zealand (*N.Z. dollar*)		Pakistan (*rupee*)	
	A	B	A	B	A	B	A	B	A	B	B[f]	A	B	A	B[g]
1953	...	...	...	...	5 841	7 055	44	48	...	...	...	1.47	1.68	20.4	21.8
1954	...	...	...	...	6 566	7 831	60	67	...	...	...	1.60	1.86	19.7	21.1
1955	...	...	...	...	7 113	8 624	106	116	3.81	4.76	...	1.69	1.97	21.1	22.7
1956	...	...	...	...	7 855	9 726	140	152	3.94	4.84	...	1.77	2.06	24.8	26.6
1957	...	...	...	...	9 210	11 080	180	198	4.08	4.95	...	1.87	2.18	26.5	28.4
1958	...	...	...	...	9 561	11 522	185	207	3.94	4.76	...	1.92	2.27	26.1	28.0
1959	...	...	244.7	282.6	10 585	12 926	193	221	4.31	5.32	...	2.08	2.43	29.3	31.4
1960	340.2	390.2	272.2	314.5	12 816	15 499	216	247	4.69	5.86	...	2.24	2.52	32.4	34.8
1961	359.6	412.6	289.7	332.7	15 156	19 125	265	299	4.80	5.89	...	2.32	2.72	34.0	36.5
1962	366.4	420.2	302.1[r]	346.7[r]	17 348	21 199	303	349	5.05	6.20	3.68	2.50	2.92	35.0	38.6
1963	358.2	410.8	319.1[r]	367.1[r]	19 900	24 464	432	488	5.37	6.58	...	2.74	3.20	38.4	41.3
1964	370.8	425.3	359.2[r]	411.0[r]	22 752	28 838	627	697	5.68	6.96	...	3.00	3.49	42.5	45.5
1965	374.9	429.9	401.8[r]	463.4[r]	25 462	31 793	713	806	6.20	7.62	5.88[r]	3.23	3.74	46.3	49.7
1966	385.1	441.9	423.0[r]	490.9[r]	29 188	36 557	902	1 032	6.49	8.03	6.80[r]	3.33[r]	3.89[r]	54.1	58.2
1967	390.9	448.3	471.6[r]	549.4[r]	34 543	43 039	1 070[r]	1 242[r]	...	...	6.38[r]	3.46[r]	4.06[r]	57.4[r]	61.6[r]
1968	416.7	477.8	516.0	603.0	40 393	51 092	1 329	1 576	...	...	7.64	3.70	4.34	63.1	67.6

Year	Philippines (*peso*)		Singapore (*Singapore dollar*)	Thailand (*baht*)		Viet-Nam Republic of (*piastre*)	
	A	B	B[f]	A	B	A	B
1953	6.9	7.9	...	28.6	32.2	...	...
1954	7.1	8.2	...	28.2	32.0	...	...
1955	7.7	8.8	...	34.8	39.3	...	...
1956	8.4	9.7	1.96	36.5	40.9	...	...
1957	9.2	10.6	2.09	40.1	45.2	...	...
1958	9.8	11.2	2.15	41.6	47.0	...	...
1959	10.7	12.2	2.07	44.4	50.3	...	...
1960	11.4	13.0	2.16	46.2[r]	53.9[r]	68.7	81.8
1961	12.3	14.2	2.47	50.3[r]	59.0[r]	69.5	84.5
1962	13.5	15.7	2.57	53.9[r]	63.6[r]	78.0	93.8
1963	15.5	18.1	2.91	57.0[r]	67.8[r]	83.5	100.3
1964	16.5	19.5	3.00	61.7[r]	74.4[r]	95.2	114.3[r]
1965	17.8	21.1	3.23	69.4[r]	83.7[r]	125.8	144.8[r]
1966	19.6	23.2	3.46	83.9[r]	100.6[r]	202.4	236.2[r]
1967	21.5[r]	25.8[r]	3.79[r]	87.5[r]	106.9[r]	...	362.3[r]
1968	23.6	28.4	4.24	94.1	116.4	...	434.0

General note: National income (net national product at factor cost) is the value at factor cost of the product, after deduction of provisions for the consumption of fixed capital attributable to the factors of production supplied by normal residents of the given country.

Gross national product at market prices is the market value of the product, before deduction of provisions for the consumption of fixed capital attributable to the factors of production supplied by normal residents of the given country.

Net domestic product at factor cost is the value at factor cost of the product, after deduction of provisions for the consumption of fixed capital attributable to the factors of production supplied by resident producers of the given country.

Gross domestic product at market prices is the market value of the product, before deduction of provisions for the consumption of fixed capital, attributable to factor services rendered to resident producers of the given country.

Time reference: Brunei, Cambodia, Ceylon, China (mainland and Taiwan), Fiji, Indonesia, Japan, Republic of Korea, Malaysia, Philippines, Singapore, Thailand and Republic of Viet-Nam: calendar years; Afghanistan and Iran: fiscal years beginning 21 March; India and New Zealand: fiscal years beginning 1 April; Nepal: fiscal years ending 15 July; Australia and Pakistan: fiscal years beginning 1 July; Burma: fiscal years ending 30 September of year stated.

a. Gross domestic product at market prices of 1962 from 1952 to 1961.

b. Total net value added at 1952 prices originating from agriculture, industry construction, goods transport and communication and trade only.

c. Gross domestic product at factor cost. (Million Fijian dollars).

d. A. National income at 1960 prices. B. Gross domestic product at 1960 market prices.

e. West Malaysia only.

f. Gross domestic product at market prices.

g. Gross national product at factor cost.

6. INDUSTRIAL ORIGIN OF GROSS DOMESTIC PRODUCT AT CURRENT FACTOR COST

Country, currency, and year	Total	Agriculture, forestry, fishing	Mining	Manufacturing	Construction	Transportation, communication, utilities	Wholesale and retail trade	Ownership of dwellings	Public administration and defence	Other services
AUSTRALIA[r] *(million Australian dollars)*										
1961	13 401	1 650	236	3 769	1 048	1 544	1 998	643	543	1 970
1962	14 517	1 871	242	4 124	1 131	1 657	2 110	729	551	2 101
1963	16 162	2 236	289	4 504	1 266	1 857	2 277	820	603	2 309
1964	17 759	2 174	314	5 091	1 458	2 043	2 545	896	665	2 571
1965	18 538	1 945	354	5 283	1 595	2 172	2 625	979	758	2 827
1966	20 384[a]	2 329	414	5 701	1 694	2 333	2 836	1 079	886	3 116
1967	21 612	1 844	475	6 143	1 809	2 565	3 136	1 199	981	3 460
BRUNEI[b] *(million Malaysian dollars)*										
1958	364.5	7.0	305.0	3.2	4.8	...	22.2	...	20.4	1.9
1959	353.9	12.2	297.0	3.3	4.0	1.2	15.7	...	18.3	2.2
1960	302.6	14.2	243.1	3.5	3.6	2.1	15.7	...	18.0	2.4
BURMA[b] *(million kyats)*										
1963	7 923	2 570	52	779	92	480	2 610	...[c]	608	731[c]
1964	7 572	2 432	55	711	104	500	2 441	...[c]	579	750[c]
1965	8 416	2 675	67	797	152	553	2 721	...[c]	653	798[c]
1966	8 282	2 688	63	785	189	624	2 486	...[c]	669	777[c]
1967	8 586	2 946	63	779	196	620	2 487	...[c]	705	790[c]
CAMBODIA[d] *(billion riels)*										
1963	25.5	10.5	0.1	2.2	1.5	1.2	5.4	...[c]	3.3	1.3[c]
1965	30.4	12.7	—	3.2	1.3	0.9	6.9	...[c]	3.6	1.8[c]
1966	32.1	13.1	—	3.3	1.7	1.1	7.3	...[c]	3.9	1.7[c]
CEYLON *(million rupees)*										
1963[r]	6 980	2 888	36	602	365	696	821	228	370	974
1964[r]	7 352	3 005	39	614	382	765	900	234	371	1 042
1965[r]	7 458	2 939	43	693	384	781	890	240	383	1 105
1966[r]	7 798	3 001	66	708	434	835	990	246	398	1 120
1967[r]	8 368	3 195	57	838	499	885	1 032	253	427	1 182
1968	9 991	3 877	69	1 086	625	989	1 208	259	475	1 403
CHINA (mainland) *(million yuan)*[e]										
1952	61 130	36 189	—— 11 003 ——		1 834	2 445	9 659	...	...	...
1956	88 750	42 689	23 430		4 970	3 905	13 756	...	...	...
CHINA[f,r] (Taiwan) *(million new Taiwan dollars)*										
1963	76 171	19 640	1 572	15 412	3 320	5 551	10 896	5 716	8 562	5 713
1964	91 139	24 464	1 600	19 273	3 660	6 715	13 116	6 231	9 649	6 668
1965	98 937	25 828	1 878	20 568	4 278	7 743	14 155	6 613	10 377	7 854
1966	110 093	27 403	2 210	23 052	4 916	9 248	15 220	7 238	12 466	8 750
1967	124 221	29 562	2 465	26 980	5 668	10 048	17 345	8 193	14 457	9 876
1968	143 984	33 173	2 377	32 795	6 815	12 026	19 257	9 757	16 955	11 406
FIJI *(million Fiji dollars)*										
1963	108.5	44.6	1.8	13.3	5.7	8.9	10.4	7.2	5.9	10.7
1964	115.1	42.1	1.8	14.9	7.0	10.3	12.8	7.5	6.5	12.2
1965	119.1	41.5	2.1	14.9	6.4	8.4	19.6	12.2	8.4	5.5
1966	123.4	40.9	2.0	15.0	7.3	9.7	18.9	13.9	9.4	6.2
INDIA *(billion rupees)*										
1963	182.2	85.9	2.2	28.5	8.2	10.8	17.5[g]	7.6	7.8	13.7
1964	213.5	104.7	2.2	31.6	9.3	11.9	21.2[g]	8.1	8.9	15.5
1965	219.7	101.3	2.5	33.6	10.5	13.1	22.8[g]	8.5	9.9	17.4
1966	252.6	120.6	2.7	36.8	11.1	14.8	27.0[g]	9.1	11.1	19.3
1967	296.4	153.1	3.1	38.6	11.7	15.7	31.0[g]	9.6	12.0	21.6
INDONESIA[h] *(billion rupiah)*										
1963	410.8	212.7	14.9	36.4	6.5	16.8	66.2	[illegible]	19.8	29.4
1964	425.3	223.6	15.6	35.9	6.5	16.5	68.1	8.[illegible]	19.9	30.9
1965	429.9	225.3	16.0	35.6	7.4	16.8	67.4	8.[illegible]	21.3	31.7
1966	441.9	236.1	15.4	36.3	8.4	16.9	64.5	8.7	24.3	31.3
1967	448.3	232.1	16.7	37.5	7.3	17.9	70.8	8.8	25.0	32.2
1968	477.8	247.1	19.7	40.8	9.2	17.7	76.1	9.4	25.0	32.8
IRAN[r] *(billion rials)*										
1963	378.7[a]	98.1	0.9	110.3	14.3	27.2	39.4	22.3	32.9	26.6
1964	417.6[a]	110.3	1.1	118.2	16.6	28.6	44.4	23.5	39.0	30.2
1965	470.3[a]	119.7	1.5	137.2	20.9	30.2	48.1	25.0	49.8	32.9
1966	497.2[a]	121.5	1.6	157.1	21.8	32.6	50.5	26.8	55.6	36.2
1967	557.9[a]	128.3	1.7	189.7	28.5	34.9	56.2	28.7	58.9	41.2
JAPAN[i,r] *(billion yen)*										
1963	19 967	2 432	216	5 830	1 303	1 881	3 312	...[c]	834	4 159[c]
1964	22 850	2 548	224	6 674	1 610	2 111	3 898	...[c]	944	4 841[c]
1965	25 560	2 866	227	7 170	1 814	2 214	4 322	...[c]	1 080	5 867[c]
1966	29 287	3 237	247	8 175	2 136	2 606	4 892	...[c]	1 162	6 832[c]
1967	34 650	3 972	245	10 017	2 517	3 012	5 717	...[c]	1 313	7 857[c]
1968	40 543	4 257	278	12 096	2 975	3 297	6 889	...[c]	1 513	9 238[c]

6. INDUSTRIAL ORIGIN OF GROSS DOMESTIC PRODUCT AT CURRENT FACTOR COST *(Cont'd)*

Country, currency, and year	Total	Agriculture, forestry, fishing	Mining	Manufacturing	Construction	Transportation, communication, utilities	Wholesale and retail trade	Ownership of dwellings	Public administration and defence	Other services
KOREA, REPUBLIC OF *(billion won)*										
1963	454.55	204.59	8.28	61.87	14.48	22.49	50.42	20.96	28.08	43.38
1964	658.68	319.01	12.31	97.56	19.95	27.62	71.65	24.58	33.64	52.36
1965	751.14	310.26	14.66	129.01	27.29	38.37	98.23	27.20	39.94	66.18
1966	946.37	370.60	16.47	161.52	37.49	58.12	128.70	32.38	53.84	87.25
1967[r]	1 121.75	394.27	20.48	194.34	49.34	79.60	156.75	42.55	67.15	117.27
1968	1 405.23	453.35	20.19	252.00	76.72	109.42	199.55	47.17	85.64	161.19
MALAYSIA *(million Malaysian dollars)*										
EAST MALAYSIA: Sarawak										
1955[b]	375.4	231.3	38.7	1.2	9.5	14.0	32.6	5.0	15.4	27.7
1961	408.5	185.6	34.5	33.4	10.5	25.3	41.8	23.3	28.2	25.9
WEST MALAYSIA										
1963	5 862	1 847	419	533	274	304	950	277	373	885
1964	6 255	1 848	502	612	289	332	1 002	290	428	952
1965	6 844	1 956	598	701	315	380	1 065	298	493	1 038
1966	7 180	2 037	551	783	320	401	1 117	303	537	1 131
NEPAL[b] *(million rupees)*										
1962	3 709	2 393	17	450	141	38	183	338	77	72
1965[r]	5 883	3 915	1	475	123	95	277	676	82	239
1966[r]	6 805	4 694	2	567	144	98	253	689	101	257
1967	6 384	4 218	1	526	116	110	307	677	143	286
1968	7 644	5 217	1	659	134	130	345	698	154	306
NEW ZEALAND *(million New Zealand dollars)*										
1954	1 743	396	18	208	128	204	296	68	44	381
1959	2 266	466	22	512	196	276	364	142	174	114
PAKISTAN *(million rupees)*										
1963	41 399	20 075	124	4 603	1 774	2 826	5 109	2 105	1 812	2 971
1964	45 525	21 919	150	5 042	2 057	3 137	5 654	2 290	2 025	3 251
1965	49 680	23 337	156	5 621	2 080	3 551	6 159	2 387	2 845	3 544
1966	58 193	27 369	163	6 238	2 393	4 384	7 315	2 726	3 494	4 111
1967	61 598	28 744	170	6 827	2 713	4 630	7 602	2 830	3 656	4 426
1968	67 635	31 341	185	7 625	3 431	4 919	8 181	2 977	4 151	4 825
PHILIPPINES[i] *(million pesos)*										
1963	15 613	4 980	182	3 084	584	671	1 786	1 046	1 221	2 059
1964	16 598	5 209	188	3 146	661	712	1 953	1 099	1 370	2 260
1965	17 917	5 729	235	3 213	759	783	2 080	1 161	1 502	2 455
1966[r]	19 705	6 393	311	3 472	759	865	2 287	1 234	1 646	2 738
1967[r]	21 796	7 301	346	3 773	812	925	2 463	1 314	1 821	3 041
1968	23 958	8 245	427	4 147	871	1 003	2 588	1 393	1 991	3 293
SINGAPORE *(million Singapore dollars)*										
1963	2 684	147	6	289	95	53[j]	859	110	512	613
1964	2 701	142	7	323	114	59[j]	708	118	603	626
1965	2 043	140	6	408	131	54[j]	772	129	733	671
1966	3 365	153	7	480	129	73[j]	879	141	796	708
1967	3 617	146	7	558	150	93[j]	975	152	755	781
1968	4 257	148	10	665	180	109[j]	1 350	167	757	871
1969	4 833	161	10	817	208	120[j]	1 622	185	742	969
THAILAND[b,r] *(billion baht)*										
1963	67 881	24 686	818	9 516	3 579	5 215	11 104	1 788	3 150	8 025
1964	74 468	25 165	1 248	10 298	4 131	5 997	13 458	1 913	3 301	8 957
1965	83 684	29 745	1 758	11 713	4 573	6 650	13 528	2 058	3 589	10 069
1966	100 595	37 345	1 946	13 405	6 162	7 217	16 639	2 232	3 814	11 834
1967	106 699	34 914	2 059	15 464	7 383	7 890	18 539	2 344	4 287	13 818
1968	116 129	36 794	2 115	17 291	8 137	8 626	19 946	2 461	5 034	15 726
VIET-NAM, REPUBLIC OF *(million piastres)*										
1963	88.7[a]	28.8	0.3	10.3	1.3	4.9	10.3	6.3	17.6	7.0
1964	100.4[a]	32.5	0.3	11.1	1.4	6.0	12.1	6.9	21.4	8.0
1965	128.3[a]	37.4	0.3	13.8	1.8	7.3	14.4	7.6	30.4	9.6
1966	193.6[a]	55.3	0.4	17.8	3.5	9.3	27.9	12.3	47.2	17.0

a. Including statistical discrepancy.
b. Gross domestic product at market prices.
c. Ownership of dwellings included under "Other services".
d. Gross domestic product at 1963 market for data of 1963; and 1965 prices for 1965 and 1966 estimates.
e. Total net value added at 1952 prices originating in agriculture, industry, construction, goods transport and communication, and trade only.
f. The sum of the components is greater than the totals shown because imputed interest has not been deducted from the industry groups.
g. Including storage, hotels and restaurants.
h. Gross domestic product at 1960 market prices.
i. Net domestic product at factor cost.
j. Utilities only; transportation and communication data included under "Other services".

7. EXPENDITURE ON GROSS DOMESTIC PRODUCT

	Consumption expenditure		Gross fixed capital formation	Increase in stocks	Exports less imports of goods and services	Gross domestic product at market prices	Less indirect tax net of subsidies	Less depreciation	Net factor income from abroad	Net national product at factor cost (national income)
	Private	General government								
AFGHANISTAN *(million afghanis)*										
1958	37 493	922	1 970	...	—868[a]	39 527[b]	941	...	...	...
AUSTRALIA[r] *(million Australian dollars)*										
1963	11 349	1 776	4 498	183	296	18 012[c]	1 850	1 506	—299	14 357
1964	12 261	2 043	5 236	677	—432	19 802[c]	2 043	1 669	—286	15 804
1965	12 988	2 384	5 679	228	—486	20 771[c]	2 233	1 817	—315	16 406
1966	13 949	2 683	5 957	490	—223	22 764[c]	2 380	1 988	—341	18 055
1967	15 111	3 040	6 490	224	—572	24 196[c]	2 584	2 158	—472	18 982
1968	16 183	3 330	7 207	860	—357	27 171[c]	2 852	2 356	—572	21 391
BURMA *(million kyats)*										
1965	—— 7 370 ——		740	540	—330	8 416[c]	915	359	9	7 151
1966	7 600		830	—490	100	8 282[c]	852	376	4	7 058
1967	7 240		880	— 50	—	8 586[c]	898	407	2	7 283
CAMBODIA[r] *(billion riels)*										
1963	16.9	4.9	4.3	0.2	— 0.9	25.5[c]	2.7	1.2	— 0.2	21.4
1964	18.0	5.3	3.6	0.7	— 0.2	27.5[c]	2.8	1.4	— 0.1	23.2
1965	21.7	4.9	3.6	0.5	— 0.3	30.4[c]	4.2	1.5	—	24.7
1966	22.5	5.3	5.0	0.8	— 1.6	32.0[c]	4.0	1.6	— 0.1	26.5
CEYLON[r] *(million rupees)*										
1963	5 441	940	1 096	5	—128	7 353	373	365	— 52	6 562
1964	5 802	1 008	1 130	53	—165	7 828	476	376	— 36	6 940
1965	5 887	1 078	1 082	— 22	34	8 059	601	361	— 15	7 082
1966	6 319	1 075	1 231	74	—290	8 410	612	444	— 37	7 317
1967	6 731	1 155	1 418	67	—257	9 115	747	473	— 53	7 842
1968	7 748	1 349	1 702	311	—308	10 801	810	567	— 60	9 363
CHINA (Taiwan) *(million new Taiwan dollars)*										
1963	56 854	15 877	13 335	2 056	—475	87 280	11 109	5 422	—146	70 603
1964	65 683	16 919	14 872	4 770	390	102 366	11 227	6 417	—157	84 565
1965	71 738	18 980	19 090	7 006	—3 687	113 196	14 259	7 049	—329	91 559
1966	76 788	21 602	23 974	5 181	— 970	125 883	15 790	7 797	—329	101 967
1967	86 110	24 680	30 185	5 867	—2 625	143 258	19 037	8 789	—213	115 219
1968	99 986	29 817	37 130	6 018	—4 516	168 433	24 449	10 290	—458	133 236
1969	109 854	35 231	43 971	6 191	—3 461	191 274	30 191	12 154	—853	148 076
FIJI *(million Fiji dollars)*										
1963	77.6	14.0	14.6	5.6	5.2	117.4	8.9	...	...	...
1964	84.0	14.5	17.9	8.5	—	126.7	11.6	...	...	...
1965	94.5	16.2	22.6	5.0	— 8.2	131.2	12.1	...	...	...
1966	92.7	17.8	22.0	6.0	— 4.0	134.2	10.8	...	...	...
1967	98.0	19.6	30.4	— 0.5	— 2.6	143.5	11.5	...	...	...
1968	103.6	21.2	35.0	1.0	— 2.1	153.0	13.0	...	...	...
INDIA[r] *(billion rupees)*										
1963	...	18.76	...	...	—3.63	197.91	15.66	9.94	—1.12	171.19
1964	...	20.05	...	...	—4.92	231.31	17.84	11.18	—1.49	200.80
1965	...	22.95	...	...	—4.83	240.52	20.86	12.13	—1.67	205.86
1966	...	25.76	...	...	—6.89	275.93	23.36	13.55	—2.55	236.47
1967	...	...	...	...	—6.86	...	...	...	—2.65	279.22
INDONESIA[d] *(billion rupiah)*										
1963	345.0	34.0	30.6	...	1.2	410.8	...	...	...	358.2
1964	347.7	40.0	34.8	...	2.8	425.3	...	...	...	370.8
1965	356.0	29.0	36.2	...	8.7	429.9	...	...	...	374.9
1966	350.8	40.3	40.7	...	10.1	441.9	...	...	...	385.1
1967	381.7	36.2	33.2	...	— 2.8	448.3	...	...	...	390.9
1968	401.7	36.2	47.2	...	— 7.3	477.8	...	...	...	416.7
IRAN[r] *(billion rials)*										
1963	269.3	39.9	50.3	...	41.5	401.0	22.3	25.7	—33.9	319.1
1964	300.4	48.7	62.4	...	29.1	440.6	23.1	28.8	—29.7	359.2
1965	322.9	62.4	81.1	...	33.1	499.5	29.2	32.4	—36.1	401.8
1966	340.3	69.2	89.7	...	31.6	530.8	33.6	34.4	—39.9	423.0
1967	372.3	76.4	115.0	...	33.5	597.2	39.3	38.5	—47.8	471.6
1968	407.6	85.4	134.1	...	28.2	655.3	...	...	—52.3	516.0
JAPAN[r] *(billion yen)*										
1963	13 768	2 200	7 875	884	—197	24 530	1 873	2 855	— 66	19 900
1964	15 945	2 554	9 404	1 082	— 49	28 936	2 083	3 512	— 98	22 752
1965	17 940	2 949	9 767	771	465	31 892	2 252	3 989	— 99	25 462
1966	20 352	3 329	11 344	1 033	598	36 657	2 496	4 647	— 99	29 188
1967	23 162	3 734	13 896	2 252	102	43 146	2 853	5 482	—107	34 543
1968	26 666	4 280	17 352	2 353	591	51 242	3 291	6 534	—150	40 393

7. EXPENDITURE ON GROSS DOMESTIC PRODUCT *(Cont'd)*

	Consumption expenditure		Gross fixed capital formation	Increase in stocks	Exports less imports of goods and services	Gross domestic product at market prices	Less indirect tax net of subsidies	Less depreciation	Net factor income from abroad	Net national product at factor cost (national income)
	Private	General government								
KOREA, REPUBLIC OF *(billion won)*										
1963	399.55	54.74	68.04	21.64	— 55.72	484.63[c]	30.08	26.31	3.33	431.57
1964	585.96	61.95	80.54	20.70	— 54.47	691.54[c]	32.86	36.93	5.25	627.00
1965	669.08	76.02	117.64	0.84	— 60.32	798.20[c]	47.06	45.73	7.65	713.06
1966	805.90	104.82	205.99	17.12	—101.01	1 018.66[c]	72.29	57.89	13.38	901.86
1967	973.55	132.17	264.00	8.20	—134.81	1 220.40[c,r]	98.65	73.80[r]	21.95	1 069.90[r]
1968	1 191.75	175.28	402.35	18.96	—207.51	1 552.47[c]	147.24	99.71	23.18	1 328.70
MALAYSIA *(million Malaysian dollars)*										
EAST MALAYSIA										
SABAH										
1963	229	75	92		— 31	365	...	...	...	...
1964	244	79	112		— 25	410	...	...	...	...
1965	259	97	129		— 11	474	...	...	...	...
SARAWAK										
1963	343	93	102		— 24	514	...	...	...	...
1964	360	109	112		— 28	553	...	...	...	...
1965	385	120	125		— 28	602	...	...	...	...
WEST MALAYSIA										
1963	4 261	1 063	1 194	52	172	6 742	880	332	—159	5 371
1964	4 476	1 223	1 226	56	195	7 176	921	358	—214	5 683
1965	4 715	1 357	1 311	59	439	7 881	1 037	385	—264	6 195
1966	4 956	1 538	1 357	66	383	8 300	1 120	414	—272	6 494
NEPAL *(million rupees)*										
1961	3 465	103	293		—179	3 682	...	...	...	...
1964	4 765	123	525		—128	5 285	...	...	...	...
NEW ZEALAND *(million New Zealand dollars)*										
1963	1 997	417	709	86	28	3 239	224	232	— 42	2 741
1964	2 132	460	812	97	45	3 546	241	249	— 59	2 997
1965	2 333	516	908	142	—101	3 798	250	264	— 54	3 230
1966[r]	2 364	565	955	139	— 71	3 952	262	290	— 66	3 334
1967[r]	2 503	598	887	129	— 9	4 107	296	300	— 52	3 459
1968	2 618	662	953	57	127	4 416	324	320	— 75	3 697
PAKISTAN *(million rupees)*										
1963[r]	35 494	2 971	7 233	240	—1 777	44 161	2 762	2 859	—115	38 425
1964[r]	39 034	3 141	8 332	920	—2 821	48 606	3 081	3 076	10	42 459
1965[r]	43 296	4 818	7 674	—710	—2 051	53 027	3 347	3 381	10	46 309
1966[r]	52 324	4 253	8 449	180	—2 805	62 401	4 208	4 055	10	54 148
1967	53 600	4 340	9 345	1 500	—2 713	66 072	4 474	4 202	10	57 406
1968	...	...	...	...	...	...	...	...	10	63 054
PHILIPPINES *(million pesos)*										
1963	13 737	1 637	3 283	484	— 93	18 203[c]	1 426	1 164	— 68	15 545
1964	15 525	1 829	3 985	441	— 578	19 551[c]	1 501	1 452	— 92	16 506
1965	16 582	1 974	4 207	451	— 211	21 193[c]	1 552	1 724	—123	17 794
1966[r]	18 111	2 180	4 586	445	+ 385	25 707[c]	1 750	1 939	—143	19 562
1967[r]	20 086	2 427	5 482	441	— 567	27 869[c]	2 015	2 289	—297	21 499
1968	21 441	2 639	5 824	517	—1 210	29 211[c]	2 186	2 615	—383	23 575
SINGAPORE *(million Singapore dollars)*										
1964	2 290.3	289.8	421.0	...	...	3 001.1	145.9	...	...	...
1965	2 444.2	314.5	475.8	...	...	3 234.5	169.7	...	...	...
1966	2 639.1	347.4	473.3	...	...	3 459.8	204.8	...	...	...
1967[r]	2 882.9	386.3	518.3	...	...	3 787.5	208.8	...	...	...
1968	3 057.4	444.2	735.9	...	...	4 237.5	238.9	...	...	...
1969	3 207.7	528.4	918.5	...	...	4 654.6	262.8	...	...	...
THAILAND[r] *(million baht)*										
1963	49 701	6 924	12 085	2 275	—2 390	67 881[c]	7 649	3 202	— 40	56 990
1964	53 432	7 478	14 518	521	—1 149	74 468[c]	8 827	3 878	— 79	61 684
1965	58 442	8 334	15 986	816	—1 101	83 684[c]	9 725	4 578	— 11	69 369
1966	66 292	9 288	20 364	2 821	— 364	100 595[c]	11 132	5 531	— 8	83 924
1967	74 703	10 700	24 789	—627	—2 406	106 699[c]	12 698	6 672	168	87 496
1968	80 886	12 359	28 016	1 342	—4 697	116 129[c]	14 343	7 950	272	94 108
VIET-NAM, REPUBLIC OF *(billion piastres)*										
1963	84.8	21.0	8.1	— 0.5	—12.6	100.8	12.1	4.7	— 0.4	83.5
1964	92.4	25.0	9.2	3.6	—15.2	115.0	14.5	4.7	— 0.5	95.2
1965[r]	109.1	32.5	17.1		—16.6	142.2	12.5	5.1	2.6	125.8
1966[r]	177.0	52.9	34.5		—45.6	218.9	38.2	8.6	17.3	202.4
1967[r]	286.0	75.3	40.0		—59.0	342.3	44.6	...	20.0	...
1968	352.0	85.0	40.0		—68.0	409.0	45.2	...	25.0	...

a. Including net investment income from abroad.
b. Gross national product at market prices.
c. Including statistical discrepancy.
d. At constant 1960 market prices. Data for national income are extrapolated by index of gross domestic product at 1960 prices.

8. COMPOSITION OF GROSS DOMESTIC CAPITAL FORMATION

	Gross domestic capital formation	FIXED CAPITAL FORMATION									Increase in stocks
		By type of capital goods					By type of purchaser				
		Dwellings	Non-residential buildings	Other construction and works	Transport equipment	Machinery and equipment	Private enterprises	Public corporations	Government enterprises	General government	
AUSTRALIA[r] *(million Australian dollars)*											
1963 . .	4 681	754	3 744				2 898	1 600			183
1964 . .	5 913	891	4 345				3 382	1 854			677
1965 . .	5 907	888	4 791				3 630	2 049			228
1966 . .	6 447	968	4 989				3 802	2 155			490
1967 . .	6 714	1 085	5 405				4 120	2 370			224
1968 . .	8 067	...	...				4 669	2 538			860
BURMA *(million kyats)*											
1962[r] . .	1 272	838			369		692	196	319		65
1963 . .	1 649	728			610		717	287	334		311
1964 . .	1 381	692			522		516	424	274		167
CAMBODIA *(billion riels)*											
1963 . .	4.5	1.4	0.9	1.0[a]	0.4	0.6	2.4	0.2	—	1.7	0.2
1964 . .	4.3	1.2	0.9	0.7[a]	0.1	0.7	1.9	—	0.2	1.5	0.7
1965[r] . .	4.1	1.3	0.3	1.1[a]	0.3	0.7	2.3	0.4	—	1.0	0.5
1966[r] . .	5.8	1.4	0.4	1.8[a]	0.4	1.0	2.9	0.8	—	1.3	0.8
CEYLON *(million rupees)*											
1963[r] . .	1 101	376		339[a]	92	289	728		367		5
1964[r] . .	1 183	433		329[a]	84	284	791		339		53
1965[r] . .	1 060	421		334[a]	98	230	669		414		— 22
1966[r] . .	1 305	514		347[a]	120	250	834		397		74
1967[r] . .	1 485	506		378[a]	124	310	975		443		67
1968 . .	2 013	771		446[a]	98	387	1 165		537		311
CHINA[r] (Taiwan) *(million new Taiwan dollars)*											
1963 . .	15 391	1 887	2 883	2 572	1 228	4 765	7 329	4 225		1 781	2 056
1964 . .	19 642	1 424	3 243	3 264	1 505	5 436	9 056	3 601		2 215	4 770
1965 . .	26 096	1 861	3 609	3 297	2 167	8 156	12 695	3 985		2 410	7 006
1966 . .	29 155	2 313	4 347	4 127	2 564	10 623	15 339	5 879		2 756	5 181
1967 . .	36 052	3 316	6 491	3 817	3 378	13 183	18 685	8 116		3 384	5 867
1968 . .	43 148	4 561	8 274	4 474	3 647	16 174	22 558	10 586		3 986	6 018
1969 . .	50 162	18 919			5 505	19 547	26 244	13 220		4 507	6 191
INDIA *(billion rupees)*											
1959 . .	25.34	15.65			7.11		13.08	3.23		8.45	2.58
1960 . .	28.71	17.59			8.62		17.77	1.25		7.19	2.50
INDONESIA[b] *(billion rupiah)*											
1958 . .	29[c]	18			11		...	...	...	...	...
1959 . .	32[c]	21			11		...	...	...	...	...
1960 . .	31[c]	19			11		...	...	...	...	...
1961 . .	44[c]	25			19		...	...	...	...	...
1962 . .	40[c]	21			19		...	...	...	...	...
1963 . .	31[c]	16			14		...	...	...	...	...
1964 . .	35[c]	16			18		...	...	...	...	...
1965 . .	36[c]	18			18		...	...	...	...	...
1966 . .	41[c]	21			20		...	...	...	...	...
1967 . .	33[c]	18			15		...	...	...	...	...
1968 . .	47[c]	...			...		...	...	...	...	...
IRAN *(billion rials)*											
1963 . .	50.3[c]	33.9			16.3		34.3	16.0			...
1964 . .	62.4[c]	39.8			22.6		43.5	18.9			...
1965 . .	81.1[c]	51.3			29.9		47.9	33.2			...
1966 . .	89.7[c]	53.6			36.1		54.2	35.5			...
1967 . .	115.0[c]	72.0			43.0		60.5	54.5			...
JAPAN *(billion yen)*											
1963 . .	8 759	1.235	6 640				5 600	2 275			884
1964 . .	10 486	1 609	7 795				6 893	2 511			1 083
1965 . .	10 538	1 942	7 825				6 898	2 869			771
1966 . .	12 378	2 232	9 112				7 915	3 429			1 033
1967 . .	16 148	2 798	11 098				10 134	3 762			2 252
1968 . .	19 705	3 665	13 687				12 987	4 365			2 353

8. COMPOSITION OF GROSS DOMESTIC CAPITAL FORMATION *(Cont'd)*

	Gross domestic capital formation	FIXED CAPITAL FORMATION									Increase in stocks
		By type of capital goods					By type of purchaser				
		Dwellings	Non-residential buildings	Other construction and works	Transport equipment	Machinery and equipment	Private enterprises	Public corporations	Government enterprises	General government	
KOREA, REPUBLIC OF *(billion won)*											
1963 . .	89.68	6.91	14.21	20.59	9.64	16.69	49.38		8.99	9.67	21.64
1964 . .	101.24	18.42	10.48	24.58	7.64	19.42	62.49		9.84	8.21	20.70
1965 . .	118.48	13.92	32.03	33.67	11.72	26.30	91.85		11.45	14.34	0.84
1966 . .	223.11	21.18	39.03	53.38	25.41	66.99	159.95		21.16	24.88	17.12
1967[r] . .	272.20	25.86	49.21	65.75	51.95	71.23	203.73		24.88	35.39	8.20
1968 . .	421.31	46.20	75.05	103.86	67.35	109.89	300.45		30.42	71.48	18.96
MALAYSIA *(million Malaysian dollars)*											
EAST MALAYSIA: SARAWAK											
1961 . .	75.7	17.9	8.7	23.8	6.2	19.1	41.1		34.6		...
WEST MALAYSIA											
1963 . .	1 246	130	202	502[d]	360		710	90	63	331	52
1964 . .	1 282	135	216	486[d]	389		759	92	77	298	56
1965 . .	1 370	133	281	469[d]	428		785	111	86	329	59
1966 . .	1 423	145	251	481[d]	480		...	...	...	...	66
NEW ZEALAND *(million New Zealand dollars)*											
1963 . .	795	160[e]	134[e]	423			423		286		86
1964 . .	909	188[e]	170[e]	451			500		312		97
1965 . .	1 051	211[e]	175[e]	523			566		343		142
1966 . .	1 094	205[e]	178[e]	572			592		371		139
1967 . .	1 016	190[e]	172[e]	525			540		369		129
1968 . .	1 010	196[e]	164[e]	593			...		...		57
PHILIPPINES *(million pesos)*											
1963 . .	3 767	547	536	414	641	1 145	...	...	...	...	484
1964 . .	4 426	696	666	333	861	1 429	...	...	...	...	441
1965 . .	4 658	713	805	428	730	1 532	...	...	...	...	451
1966[r] . .	5 031	706	728	511	1 077	1 564	...	...	...	...	445
1967[r] . .	5 923	651	790	640	1 226	2 175	...	...	...	...	441
1968 . .	6 341	734	699	801	1 210	2 380	...	...	...	...	517
SINGAPORE *(million Singapore dollars)*											
1963 . .	327.3[c]	82.5	48.8	48.4	19.2	128.4	161.6		165.7		...
1964 . .	421.0[c]	87.1	56.8	71.6	21.6	183.9	206.3		214.7		...
1965 . .	475.8[c]	96.2	66.3	95.4	31.8	186.1	259.8		216.0		...
1966 . .	473.3[c]	109.7	56.1	82.6	20.7	204.2	233.7		239.6		...
1967 . .	518.3[c]	126.7	81.3	78.2	23.4	208.7	293.4		224.9		...
1968 . .	735.9[c]	135.5	108.1	102.3	83.8	306.2	435.0		300.9		...
THAILAND[r] *(million baht)*											
1963 . .	14 360	2 541	2 091	2 354	1 776	3 324	8 037		4 048		2 275
1964 . .	15 039	2 717	2 653	2 559	2 401	4 188	9 925		4 594		521
1965 . .	16 802	2 942	2 895	2 926	2 392	4 830	10 542		5 444		816
1966 . .	23 185	3 366	4 154	3 533	3 219	6 092	13 626		6 738		2 821
1967 . .	24 161	3 642	4 117	5 195	4 118	7 718	16 603		8 186		— 627
1968 . .	29 358	3 995	4 961	5 768	4 324	8 969	18 692		9 325		1 342
VIET-NAM, REPUBLIC OF *(billion piastres)*											
1963 . .	7 644	1 759		1 021	1 323	3 995	6 590		1 508		—454
1964 . .	12 742	1 530	890	687	1 736	4 312	7 987		1 168		3 587
1965 . .	17 370	1 828	1 377	1 010	2 216	5 822	10 327		1 926		5 117
1966 . .	34 501	3 796	3 597	1 052	6 270	12 829	23 984		3 560		6 957

a. Including land.
b. At market prices of 1960.
c. Gross fixed capital formation.
d. Including land and planting of perennial crops.
e. Permit value.

9. INDEX NUMBERS OF AGRICULTURAL PRODUCTION

1952—1956=100

	Afghanistan	Australia	Burma	Ceylon	China (Taiwan)	India	Indonesia	Iran	Japan	Korea, Republic of	Malaysia: West	New Zealand	Pakistan	Philippines	Thailand
ALL COMMODITIES															
1958	115	119	109	108	124	111	109	119	118	122	109	114	106	113	108
1959	117	118	116	110	123	115	111	127	118	123	113	120	113	115	115
1960	122	122	116	118	123	120	112	123	118	121	121	122	116	123	130
1961	123	126	119	123	128	124	111	132	120	136	127	124	120	126	140
1962	127	134	130	128	127	124	119	130	130	122	127	130	120	135	146
1963	124	139	131	135	132	127	111	138	128	135	134	131	128	140	158
1964	131	144	140	143	145	129	119	134	133	172	137	135	128	139	157
1965	133	133	134	141	157	122	119	145	134	171	146	141	131	146	167
1966	129	154	117	140	163	121	122	144	139	185	155	145	130	156	202
1967	137	141	131	147	170	131	124	157	156	168	159	150	142	153	171
1968	137	169	141	152	176	137	129	175	162	167	176	156	150	161	182
1969	138	165	140	156	180	144	133	172	160	183	194	159	154	156	191
FOOD															
1958	114	120	111	101	123	111	111	119	119	124	114	111	106	112	105
1959	115	114	118	108	122	116	113	126	118	125	117	116	115	114	110
1960	120	123	118	120	122	120	115	120	120	124	134	118	119	121	124
1961	121	125	121	125	128	124	112	128	121	138	144	120	120	124	133
1962	122	139	132	131	126	124	122	128	132	123	142	125	120	131	144
1963	117	142	133	142	130	126	114	134	130	139	152	127	130	137	154
1964	126	149	142	159	144	128	125	128	134	175	146	133	130	136	150
1965	128	137	136	147	157	122	121	136	135	173	158	134	132	145	154
1966	124	167	120	143	163	121	125	139	141	185	165	139	130	155	185
1967	132	145	134	155	169	130	125	153	159	167	169	145	141	152	161
1968	132	183	143	162	176	138	132	168	166	165	180	153	151	160	176
1969	133	173	143	169	179	145	137	166	164	180	189	156	154	155	179
CEREALS															
1958	116	136	110	125	115	112	111	115	112	121	122	108	99	116	99
1959	118	111	117	125	113	118	111	128	117	125	109	130	115	121	97
1960	120	158	113	146	117	126	119	113	118	122	139	178	124	121	114
1961	120	135	116	147	123	128	112	122	115	137	152	189	124	128	120
1962	120	162	129	164	129	128	126	121	117	122	144	170	119	129	136
1963	108	170	131	167	128	132	109	135	103	133	156	189	136	127	148
1964	121	189	143	171	136	136	125	120	108	153	135	226	137	131	143
1965	122	140	135	124	142	118	121	132	107	146	161	212	139	134	140
1966	112	244	113	156	145	117	129	142	106	162	165	233	127	138	180
1967	122	144	130	187	147	139	128	170	118	151	160	264	146	158	148
1968	122	276	143	218	153	152	140	203	118	145	187	372	165	146	168
1969	123	223	143	238	146	162	150	191	107	164	184	377	168	131	169
PER CAPUT FOOD PRODUCTION															
1958	107	110	103	91	108	102	102	107	114	113	102	102	96	100	94
1959	106	102	108	95	103	105	101	110	113	111	101	104	100	98	95
1960	109	108	106	103	99	107	101	101	113	106	112	104	101	101	104
1961	108	107	107	105	100	108	96	105	113	116	116	104	99	101	108
1962	107	117	114	107	96	105	103	102	122	100	111	105	96	103	114
1963	100	117	112	113	96	104	93	104	119	110	115	105	101	104	118
1964	106	121	118	124	103	104	100	97	121	135	108	108	98	99	111
1965	106	109	110	112	108	96	95	99	121	129	114	107	97	103	111
1966	101	130	95	106	109	93	96	99	125	135	115	108	92	106	129
1967	106	111	104	113	111	98	93	106	140	119	114	111	97	100	109
1968	103	138	108	115	112	101	96	113	145	114	119	116	101	102	116
1969	103	128	106	118	112	104	97	108	141	121	121	118	100	95	114
PER CAPUT CEREAL PRODUCTION															
1958	109	125	102	113	100	104	102	103	107	110	108	99	89	103	88
1959	109	99	107	110	95	106	100	111	111	111	94	117	100	104	84
1960	108	139	102	126	95	111	105	95	112	105	116	157	105	101	96
1961	107	116	102	123	97	111	96	101	107	115	123	163	102	103	97
1962	104	137	111	134	98	108	106	97	108	100	112	143	95	101	107
1963	93	141	110	134	94	109	89	105	95	105	118	156	105	96	113
1964	102	153	118	134	97	110	100	90	98	118	100	183	103	96	106
1965	101	111	110	95	98	93	95	97	96	109	116	168	102	95	101
1966	91	190	90	116	97	90	99	101	95	118	115	182	90	94	125
1967	98	110	101	136	96	104	95	117	104	107	108	202	101	104	100
1968	95	207	108	155	98	111	102	137	102	100	123	282	111	93	110
1969	95	165	106	166	91	116	106	125	92	110	118	284	109	81	107

Source: Food and Agriculture Organization of the United Nations.

General note: These indices are calculated by FAO on a uniform basis employing regionally constant weights. They differ from national index numbers produced by the countries themselves because of differences in concepts of production, coverage, weights, time reference of the production data and methods of calculation.

PRODUCTION

10. AREA AND PRODUCTION OF SELECTED AGRICULTURAL COMMODITIES

	AREA (1,000 hectares)						PRODUCTION (1,000 tons)					
	1964	1965	1966	1967	1968	1969	1964	1965	1966	1967	1968	1969
RICE (paddy)												
Afghanistan	220	220	220	225	225	225	380	380	337	396	390	390
Australia	24	25	26	30	31	34	142	153	182	215	221	242
Brunei	3	3	2	3	4	4	3	3	3	6	8	8
Burma	4 976	4 848	4 516	3 934	4 976	4 980	8 508	8 055	6 636	7 714	8 485	8 500
Cambodia	2 377	2 344	2 182	2 020	2 324	2 410	2 760	2 500	2 376	2 457	3 251	2 253
Ceylon	528	427	520	539	562	577	1 054	756	955	1 147	1 348	1 477
China (mainland)	30 100	31 000	31 000	32 000	32 000	32 750	85 000	89 000	88 000	92 000	91 000	95 000
China (Taiwan)	765	773	789	787	790	741	2 943	3 076	3 117	3 162	3 299	3 178
Fiji	10	8	8	9	10	10	9	8	11	8	18	18
Hong Kong	9	9	9	6	10	10	12	21	17	12	18	18
India	36 364	35 273	35 251	36 437	36 966	37 900	58 551	45 983	45 657	56 418	59 642	63 000
Indonesia	6 980	7 348	7 668	7 523	7 964	8 000	12 628	13 600	14 056	14 344	15 224	16 580
Iran	364	364	376	385	385	412	800	845	875	954	957	1 030
Japan △	3 260	3 255	3 254	3 263	3 280	3 270	16 343	16 116	16 552	18 770	18 765	17 568
Korea, Republic of △	1 195	1 228	1 231	1 235	1 150	1 250	5 344	4 731	5 297	4 869	4 318	5 000
Laos	916	916	930	960	960	960	735	740	754	784	932	932
Malaysia:												
East Malaysia												
Sabah	35	37	35	39	41	41	75	85	73	85	92	91
Sarawak	113	117	111	109	131	...	103	113	120	90	123	153
West Malaysia	322	340	344	320	389	400	746	892	913	886	1 035	1 020
Nepal	1 125	1 100	1 030	1 119	1 200	1 200	2 201	2 207	2 007	2 217	2 322	2 322
Pakistan	10 584	10 754	10 480	11 309	11 297	11 300	17 780	17 726	16 410	19 005	20 065	20 100
Philippines	3 200	3 109	3 096	3 304	3 332	3 150	3 992	4 073	4 094	4 789	4 445	4 000
Thailand	5 971	5 960	6 949	5 601	6 799	6 800	9 559	9 199	11 975	9 595	10 895	11 000
Viet-Nam, Republic of	2 557	2 429	2 295	2 296	2 394	2 390	5 185	4 822	4 336	4 688	4 366	4 365
Viet-Nam, North	2 426	2 500	2 500	2 550	2 674	2 600	4 512	4 600	4 500	4 700	4 920	4 850
WHEAT												
Afghanistan	2 345	2 345	2 345	2 500	2 500	2 500	2 250	2 282	2 033	2 241	2 250	2 300
Australia	7 251	7 088	8 427	9 081	10 763	10 120	10 040	7 067	12 699	7 547	14 647	11 158
Burma	80	111	152	134	130	130	54	72	97	67	73	75
China (mainland)	25 500	27 100	27 000	27 400	27 400	27 400	25 500	26 000	25 700	28 000	27 000	28 500
China (Taiwan)	9	11	14	12	8	5	20	23	29	24	17	10
India	13 499	13 460	12 656	12 838	14 998	15 958	9 853	12 290	10 424	11 393	16 540	18 652
Iran	3 700	4 000	4 200	4 400	4 800	4 500	2 600	2 900	3 190	4 000	4 977	4 500
Japan	508	476	421	367	322	287	1 244	1 287	1 024	997	1 012	758
Korea, Republic of	146	152	153	152	157	170	309	300	315	310	345	374
Mongolia	350	355	295	320	320	320	(335)	(320)	253	325	335	335
Nepal	140	124	118	126	150	157	139	152	147	159	216	227
New Zealand	83	74	81	93	127	127	274	250	292	348	442	455
Pakistan	5 076	5 371	5 210	5 417	6 061	6 277	4 196	4 625	3 951	4 390	6 477	6 711
BARLEY												
Afghanistan	350	350	350	350	350	350	380	380	375	375	375	380
Australia	835	930	1 011	1 057	1 295	1 500	1 118	949	1 397	835	1 685	1 792
India	2 774	2 684	2 633	2 825	3 375	2 758	2 038	2 523	2 377	2 348	3 504	2 424
Iran	1 200	1 200	1 200	1 200	1 300	1 500	900	1 000	1 000	1 020	1 160	1 200
Japan	478	422	388	352	316	175	1 203	1 234	1 105	1 032	1 021	494
Korea, Republic of	934	1 023	961	961	977	980	1 515	1 807	2 018	1 916	2 084	2 300
Mongolia	15	10	12	12	12	12	(11)	(9)	11	12	12	12
New Zealand	38	35	34	37	63	55	131	106	114	135	219	202
Pakistan	200	206	176	185	198	184	124	130	96	104	121	115
MAIZE												
Afghanistan	505	500	505	520	510	510	720	720	720	766	730	730
Australia	86	80	82	81	80	85	175	125	191	181	201	168
Burma	114	126	143	150	150	150	54	62	89	60	65	65
Cambodia	127	137	89	117	113	102	204	139	136	150	154	118
Ceylon	11	12	12	14	17	15	9	10	10	17	12	12
China (mainland)	9 200	9 700	9 700	9 700	9 700	10 100	23 800	25 500	25 500	26 000	26 000	27 200
China (Taiwan)	20	19	22	24	21	18	42	41	52	64	51	45
India	4 618	4 765	5 074	5 583	5 716	5 600	4 658	4 760	4 894	6 269	6 701	7 000
Indonesia	3 646	2 537	3 186	2 547	3 269	3 270	3 769	2 283	2 874	2 369	3 102	3 000
Iran	18	20	20	25	25	25	18	20	21	30	35	35
Japan	36	30	26	21	18	16	84	75	63	61	51	46
Korea, Republic of	43	49	42	50	43	45	35	40	34	60	63	54
Laos	40	40	40	40	42	42	19	23	20	22	23	23
Malaysia:												
East Malaysia												
Sabah	4	3	4	4	4	4	3	2	2	3	3	3
West Malaysia	5	5	4	4	4	4	7	7	7	7	7	7
Nepal	437	438	420	440	440	440	854	856	824	850	868	868
New Zealand	4	4	3	3	6	7	19	24	19	18	36	53
Pakistan	490	546	557	611	620	653	531	543	590	795	629	766
Philippines	1 923	2 106	2 158	2 047	2 180	1 985	1 313	1 380	1 490	1 619	1 455	1 310
Thailand	541	562	644	683	670	650	935	1 021	1 173	1 242	1 350	1 300
Viet-Nam, Republic of	37	36	29	29	29	29	46	44	35	34	32	32

10. AREA AND PRODUCTION OF SELECTED AGRICULTURAL COMMODITIES *(Cont'd)*

	AREA *(1,000 hectares)*						PRODUCTION *(1,000 tons)*					
	1964	1965	1966	1967	1968	1969	1964	1965	1966	1967	1968	1969
SUGAR CANE (Crop year)												
Afghanistan (beet)	4	4	4	4	4	...	31	60	58	60	60	...
Australia[a]	190	204	225	224	230	219	15 312	14 382	16 953	17 026	18 696	15 474
Burma[a]	35	42	47	47	48	...	1 084	1 448	1 584	1 600	1 700	...
China (mainland)[b] △	400	400	420	430	445	...	22 500	23 500	24 500	26 000	27 500	...
China (Taiwan)[a]	111	106	90	96	90	...	9 490	8 924	6 744	8 268	6 652	...
Fiji	42	43	43	45	53	46	2 356	2 206	2 228	2 197	2 850	2 250
India[b] △	2 562	2 780	2 301	2 047	2 461	2 557	119 598	119 642	92 826	95 500	117 572	...
Indonesia[b]	119	115	126	125	125	...	8 360	9 170	8 180	8 720	8 130	...
Japan[b]	9	12	13	13	13	...	642	832	790	854	870	...
Nepal[b]	9	11	9	10	11	...	126	192	147	170	191	...
Pakistan[b] △	647	751	817	671	703	727	24 999	29 981	30 182	26 371	29 385	...
Philippines[c]	328	298	288	309	312	...	16 300	13 282	15 277	15 525	15 550	...
Thailand[b]	161	140	123	124	158	...	5 074	4 463	3 829	4 017	5 200	...
Viet-Nam,[b] Republic of △	34	33	26	15	15	...	1 093	936	770	426	450	...
POTATOES												
Australia	41	36	39	40	43	42	571	516	649	653	669	691
Burma	16	15	14	8	10	12	50	46	34	21	33	35
China (Taiwan)	2	1	1	2	2	2	19	16	16	23	22	28
India	415	431	480	473	501	537	2 593	3 668	4 060	3 522	4 232	4 773
Iran	20	20	20	20	20	22	106	110	108	109	115	115
Japan	220	213	195	183	188	190	3 914	4 056	3 383	3 636	4 056	4 100
Korea, Republic of	47	60	60	58	61	62	570	581	688	566	617	620
Mongolia	3	3	3	3	3	3	27	24	24	25	25	27
New Zealand	12	13	13	11	13	9	241	318	325	250	300	200
Pakistan	70	74	78	89	96	105	460	575	647	768	901	996
Philippines	3	3	3	3	3	3	16	17	17	12	13	13
MILLET (M) AND SORGHUM (S)												
Australia M	22	25	26	21	25	25	24	22	32	21	27	28
S	140	175	203	187	212	167	195	195	319	267	411	75
Burma M	142	144	145	133	140	140	49	36	41	26	32	32
Ceylon M	26	28	36	24	22	23	20	20	20	17	16	16
S	1	2	1	1	1	1	1	1	1	1	1	1
China (Taiwan) M	5	6	6	6	5	5	6	6	6	7	7	6
S	3	4	5	5	4	4	2	7	8	10	7	6
India M	18 676	18 263	19 139	19 956	19 036	19 100	8 304	6 487	7 587	8 976	7 254	7 800
S	17 938	17 504	18 054	18 423	18 731	18 800	9 749	7 527	9 224	10 048	9 804	9 965
Iran M	17	17	17	17	18	18	18	18	18	18	19	19
S	10	10	10	10	12	12	10	10	10	10	12	12
Japan M	27	22	18	14	11	11	42	34	28	22	20	20
S	1	1	1	1	1	1	1	1	1	1	1	1
Korea, Republic of M	141	128	98	86	120	120	76	63	59	42	79	79
S	16	15	14	11	11	11	8	8	8	6	7	7
Nepal M + S	96	100	105	110	100	100	65	120	120	130	110	120
Pakistan M	911	840	837	914	736	747	446	370	371	414	330	336
S	586	594	559	585	474	580	293	274	277	291	262	290
SWEET POTATOES AND YAMS												
Cambodia	4	3	2	1	2	2	30	21	13	13	16	22
Ceylon	14	14	15	20	20	20	68	51	63	73	76	75
China (Taiwan)	246	234	235	236	240	221	3 348	3 131	3 460	3 720	3 445	3 640
Hong Kong	2	2	1	1	1	1	19	20	12	11	10	10
India	130	155	175	201	200	210	855	1 090	1 334	1 549	1 550	1 600
Indonesia	620	419	453	360	400	450	3 958	2 723	2 308	2 023	2 300	2 500
Japan	297	257	243	214	186	154	5 875	4 955	4 810	4 031	3 594	3 600
Korea, Republic of	133	152	148	137	135	140	2 651	2 997	2 690	1 671	2 049	2 000
Malaysia:												
East Malaysia												
Sabah	0.4	1	1	1	1	1	3	4	4	4	4	4
West Malaysia	9	9	8	6	6	6	100	100	90	70	60	65
Philippines	146	139	139	139	140	143	725	701	724	708	707	710
Singapore	1	1	1	1	1	1	5	5	4	4	4	5
Thailand	27	27	30	39	39	40	180	196	230	247	247	248
Viet-Nam, Republic of	48	43	49	38	35	37	301	278	246	254	234	250
CASSAVA												
Cambodia	1	2	1	2	3	3	15	30	19	23	40	27
Ceylon	45	53	49	71	73	70	369	328	289	383	425	400
China (Taiwan)	17	18	17	19	21	22	242	265	264	299	342	314
Fiji	7	7	7	7	7	7	80	80	80	80	80	80
India	244	241	271	290	335	340	2 823	3 032	3 467	3 717	4 520	4 800
Indonesia	1 579	1 554	1 565	1 519	1 600	1 600	12 262	11 274	12 100	11 291	11 800	11 800
Philippines	93	90	87	84	83	85	646	614	529	482	496	490
Thailand	105	101	157	124	135	135	1 557	1 475	2 323	1 774	2 000	2 000
Viet-Nam, Republic of	43	43	39	37	35	36	289	236	280	262	260	260

10. AREA AND PRODUCTION OF SELECTED AGRICULTURAL COMMODITIES *(Cont'd)*

	AREA *(1,000 hectares)*						PRODUCTION *(1,000 tons)*					
	1964	1965	1966	1967	1968	1969	1964	1965	1966	1967	1968	1969
SOYBEANS												
Cambodia	12	8	8	9	5	9	8	5	7	8	4	7
China (mainland)	13 660	13 370	13 370	14 050	13 350	13 650	11 180	10 970	10 970	11 100	10 670	10 920
China (Taiwan)	51	53	53	52	49	45	58	66	63	75	73	67
Indonesia	571	598	589	660	676	676	392	356	353	484	389	389
Japan	217	184	169	141	122	103	240	230	199	190	168	136
Korea, Republic of	281	311	276	311	326	326	163	174	161	201	245	245
Thailand	34	18	66	57	57	57	31	19	58	51	51	51
Viet-Nam, Republic of	6	5	7	8	8	8	4	4	8	6	7	7
GROUND NUTS (in shell)												
Australia	21	19	23	28	25	29	11	11	28	42	31	14
Burma	529	518	449	550	473	473	345	288	278	389	336	336
Cambodia	19	24	23	21	22	21	19	24	21	21	26	24
China (mainland)	1 880	1 940	1 980	1 980	1 900	1 980	2 291	2 300	2 360	2 450	2 200	2 400
China (Taiwan)	101	104	98	98	95	87	116	126	115	136	107	106
India	7 216	7 428	7 299	7 553	7 091	7 850	5 888	4 231	4 411	5 731	4 476	5 500
Indonesia	373	372	383	351	390	390	436	465	488	400	455	455
Japan[d]	63	67	65	62	59	60	131	137	139	136	122	134
Pakistan	26	34	51	79	69	69	33	44	71	116	106	106
Philippines	24	24	26	28	30	28	13	14	14	12	15	14
Thailand	87	95	154	101	101	102	120	131	217	128	149	150
Viet-Nam, Republic of	35	32	31	30	30	30	37	33	34	34	32	32
COTTON SEED												
Afghanistan	150	121	121	121	121	120	52	50	40	46	44	46
Australia	17	15	22	22	31	32	5	19	40	35	64	65
Burma	232	204	173	190	192	190	45	30	31	43	40	40
Cambodia	6	6	5	2	6	5	4	3	3	2	4	4
India	8 271	7 942	7 836	7 995	7 685	8 000	2 053	1 684	1 803	1 967	1 895	...
Indonesia	15	15	15	15	15	15	6	6	6	6	6	6
Iran	384	384	393	291	360	360	266	334	253	260	352	334
Korea, Republic of	23	19	19	17	16	16	8	8	9	8	8	8
Pakistan	1 481	1 564	1 609	1 799	1 757	1 800	760	835	914	1 040	1 058	1 102
Thailand	66	72	82	88	101	100	33	40	58	53	59	59
SESAME SEED												
Burma	703	479	478	500	500	500	100	62	57	83	83	83
Cambodia	15	12	15	8	14	12	10	8	10	5	9	8
Ceylon	15	15	10	11	11	11	7	7	5	6	6	6
China (mainland)	*930*	*890*	*890*	*890*	*890*	*890*	*370*	*365*	*365*	*365*	*365*	*365*
China (Taiwan)	5	6	6	6	6	5	2	3	2	3	3	3
India	2 513	2 480	2 793	2 654	2 410	2 590	493	425	416	445	415	440
Iran	7	7	7	7	7	7	6	6	6	6	6	6
Japan	7	6	6	5	6	6	4	4	3	3	3	3
Korea, Republic of	9	10	11	13	13	13	4	4	5	6	7	7
Pakistan	85	79	81	84	80	80	31	31	34	39	40	40
Thailand	16	25	25	33	33	33	13.0	18.0	18.0	23	23	23
Viet-Nam, Republic of	1	1	1	1	0.4	0.4	0.4	0.2	0.2	0.2	0.2	0.2
COPRA												
Ceylon	.	.	.	.	.	.	322.2	265.0	212	191	206	206
Fiji	.	.	.	.	.	.	42	31	26	25	28	28
India	.	.	.	.	.	.	264	266	270	274	274	274
Indonesia	.	.	.	.	.	.	470	486	531	503	553	553
Malaysia:												
East Malaysia												
Sabah	.	.	.	.	.	.	33	34	34	30	30	30
Sarawak	.	.	.	.	.	.	10	10	13	12	13	13
West Malaysia	.	.	.	.	.	.	116	126	130	138	146	137
Philippines	.	.	.	.	.	.	1 428	1 447	1 607	1 333	1 290	1 240
Thailand	.	.	.	.	.	.	21	23	21	21	21	21
Viet-Nam, Republic of	.	.	.	.	.	.	25	25	22	23	23	23
Western Samoa	.	.	.	.	.	.	16	13	14	8	13	13
TOBACCO												
Australia (dried leaf)	12	11	10	9	9	10	17	13	14	14	12	16
Burma	53	51	47	55	72	57	43	44	33	41	54	43
Cambodia	18	17	17	22	22	20	11	11	10	12	14	13
Ceylon	(7)	(7)	8	11	11	11	(4)	(4)	5	7	7	7
China (Taiwan)	9	(8)	8	10	11	12	19	16	15	18	21	21
India	441	394	372	424	424	412	360	346	298	353	369	347
Indonesia	134	171	183	194	216	214	52	77	88	95	105	100
Iran	(24)	(30)	26	20	15	19	19	25	20	22	20	23
Japan	82	86	(87)	86	82	76	212	193	198	209	193	177
Korea, Republic of	30	34	36	37	38	42	49	56	72	66	70	80
Laos	(5)	5	6	7	6	7	(3)	3	3	4	4	4
Nepal	8	7	8	8	8'	8	9	5	5	5	6	6
New Zealand	2	2	2	2	2	2	4	4	3	3	3	3
Pakistan	85	91	102	117	116	112	104	110	137	178	170	166
Philippines	96	76	86	83	84	84	65	46	58	51	65	65
Thailand	51	70	83	62	83	83	63	76	88	70	90	90
Viet-Nam, Republic of	(10)	(9)	7	8	8	9	7	8	7	8	8	8

10. AREA AND PRODUCTION OF SELECTED AGRICULTURAL COMMODITIES *(Cont'd)*

	AREA *(1,000 hectares)*						PRODUCTION *(1,000 tons)*					
	1964	1965	1966	1967	1968	1969	1964	1965	1966	1967	1968	1969
EA												
Ceylon . . . . . △	240	240	242	242	242	242	219	228	222	221	225	228
China (mainland) . .	190	190	190	190	190	190	159	159	159	159	159	159
China (Taiwan) . A	35	35	35	34	34	33	18	21	22	24	24	26
India . . . . . △	338	342	345	348	350	350	372	366	376	383	403	400
Indonesia:												
(on farm & estates)△	63	63	58	58	58	57	43	41	32	33	41	41
(on villages) . △	66	70	66	66	66	66	44	49	43	45	45	45
Iran*	23	25	25	25	25	25	11	15	18	18	18	19
Japan . . . . △	49	49	48	49	49	50	83	77	83	85	85	86
Malaysia:												
West Malaysia .	4	4	4	3	3	3	3	3	4	3	3	3
Pakistan . . . △	36	37	38	40	42	45	29	27	29	30	28	30
Viet-Nam, Republic of△	10	10	8	7	8	8	5	6	5	4	5	5
Viet-Nam, North . .	12	12	10	10	12	12	4	4	3	3	3	3
:OTTON (lint)												
Afghanistan . . .	150	121	121	121	120	120	26	25	21	23	22	23
Australia	17	15	22	22	31	32	3	10	20	17	32	32
Burma	232	204	173	190	192	190	23	15	15	21	20	20
Cambodia	6	6	5	2	6	5	2	2	2	1	2	2
China (mainland) .	4 452	4 654	4 856	5 059	4 978	5 000	1 193	1 258	1 409	1 518	1 474	1 480
India	8 271	7 942	7 836	7 995	7 685	8 000	1 019	857	895	982	949	...
Indonesia	15	15	15	15	15	15	3	3	3	3	3	3
Iran	384	384	393	291	360	360	121	152	115	118	160	152
Korea, Republic of .	23	19	19	17	16	16	4	4	5	4	4	4
Pakistan	1 481	1 564	1 609	1 799	1 757	1 800	380	417	457	520	529	551
Thailand	66	72	82	88	101	100	16	20	30	27	30	30
UTE AND ALLIED FIBRES												
Burma	17	25	21	34	40	39	10	15	13	18	21	20
Cambodia	2	2	2	5	8	7	2	2	2	4	6	8
China (mainland)[e] .	180	200	210	215	220	220	390	430	460	480	495	500
China (Taiwan) . .	7	8	7	5	7	9	13	13	11	10	11	16
India: Jute . . .	839	757	797	880	527	770	1 084	805	964	1 138	528	1 010
Mesta . . .	360	339	322	321	277	344	285	231	220	229	163	243
Iran: Kenaf . . .	4	6	7	7	7	7	2	3	5	5	5	5
Nepal	32	34	34	34	29	31	39	39	38	40	30	35
Pakistan	672	846	876	946	878	976	967	1 154	1 161	1 210	1 036	1 265
Thailand: Jute . .	5	8	10	7	9	10	7	9	11	7	10	12
Kenaf . .	215	373	524	343	112	324	303	529	657	421	140	320
Viet-Nam, Republic of												
Jute	1	1	1	1	1	1	1	1	1	1	1	1
Kenaf . . .	1	3	1	0.1	0.2	0.2	1	3	1	0.2	0.2	0.2
HEMP FIBRE												
India (sunn hemp)[f] .	194	169	180	174	173	170	71	57	57	71	66	54
Japan	1	1	1	1	1	1	0.8	0.7	0.7	0.6	0.6	0.7
Korea, Republic of .	6	6	6	6	6	6	4.9	5.6	5.8	6.1	6.3	6.5
Pakistan (sunn hemp)	18	17	16	17	18	18	12	12	11	11	12	11
Philippines (abaca)[g] .	199	198	186	171	150	...	118	108	95	81	70	...
WOOL	1 000 quintals, greasy basis						1 000 quintals, clean basis					
Australia	8 092	7 542	7 992	8 027	8 794	9 061	4 604	4 254	4 549	4 503	4 933	5 083
China (mainland) . .	*770*	*770*	*790*	*790*	*790*	*790*	*460*	*460*	*460*	*470*	*470*	*470*
India	334	337	356	370	375	375	209	211	223	231	234	...
Japan	9	8	5	4	3	2	5	4	3	2	2	1
Pakistan	195	(200)	(200)	204	204	204	(117)	(120)	120	122	122	122
New Zealand . . .	2 827	(3 152)	3 218	3 303	3 319	3 360	2 035	(2 301)	2 298	2 358	2 370	2 399

Source: Food and Agriculture Organization of the United Nations, except those in brackets which are from national sources.

General Note: Area relates generally to area harvested except those with the symbol △which relate to planted area and A to mature area or area of plucking.

a. Sugar cane crushed in factories.

b. Production refers to total sugarcane cut.

c. Data relate to cane grown for centrifugal sugar only.

d. Dried in shell.

e. Jute and ambary.

f. Area is for fibre only.

g. Area refers to crop year beginning in the year stated; production refers to calendar year and represents balings as reported by the Fibre Inspection Service, plus an allowance of 10% for unbaled fibre.

11. PRODUCTION OF MEAT

Thousand to

Country	Kind of meat	1962	1963	1964	1965	1966	1967	1968	1969
Afghanistan	Beef and veal	28	30	30	31	32	32	32	32
	Mutton and lamb	114	115	115	116	117	118	118	118
Australia[a] (total)	Beef and veal	930	1 003	1 028	948	880	905	939	1 042
	Pork	116	113	122	135	142	149	162	179
	Mutton and lamb	606	599	599	613	601	670	677	745
Burma[b] (commercial)	Beef and veal	11	14	13	16	13	13	14	15
	Pork	12	14	13	14	16	15	15	15
	Mutton and lamb	3	3	3	4	3	3	4	5
Cambodia (inspected)	Beef and veal	16	17	7	8	9	10	11	...
	Pork	30	21	19	19	21	22	22	23
Ceylon (total)	Beef and veal	15	15	16	15	17	16	16	16
	Mutton and lamb	2	2	2	2	2	2	1	2
China (mainland) (total)	Beef and veal	1 900	1 950	1 950	2 050	2 100	2 120	2 120	2 150
	Pork	8 900	9 100	9 300	9 350	9 400	9 430	9 430	9 450
	Mutton and lamb	530	540	540	550	550	560	560	580
China (Taiwan)[c] (total)	Beef and veal	6	9	9	5	5	7	9	9
	Pork	168	189	202	218	246	285	291	300
	Mutton and lamb	1	1	1	1	1	1	1	1
Fiji	Beef and veal	2	2	2	2	2	3	3	...
Hong Kong (total)	Pork	49	46	34	28	30	31	35	36
India (total)	Beef and veal	160	160	160	162	162	163	164	164
	Pork	24	24	24	24	24	24	24	...
	Mutton and lamb	354	357	360	363	366	367	368	368
Indonesia (total)	Beef and veal	277	282	281	281	287	290	292	292
	Pork	81	88	88	88	90	95	96	96
	Mutton and lamb	35	44	44	44	44	45	45	45
Iran	Beef and veal	68	66	64	62	63	64	65	66
	Pork	1	1	1	1	1	1	1	1
	Mutton and lamb	172	173	174	175	176	177	186	190
Japan (inspected)	Beef and veal	146	186	224	208	155	158	176	234
	Pork	324	279	298	364	565	603	590	560
	Mutton and lamb	3	2	2	2	2	2	1	1
Korea, Rep. of (Inspected)	Beef and veal	24	31	46	40	33	35	36	36
	Pork	40	58	66	76	84	72	62	62
Laos (total)	Beef and veal	3	3	3	4	4	5	6	6
	Pork	4	4	3	3	4	4	5	5
Malaysia:									
East Malaysia: Sabah (total)	Beef and veal	1	1	1	1	1	1	1	1
	Pork	3	3	3	3	3	3	3	3
West Malaysia	Beef and veal	11	11	12	12	13	13	13	13
	Pork	45	45	45	47	49	48	46	50
	Mutton and lamb	2	2	2	2	2	2	2	...
New Zealand[d] (total)	Beef and veal	286	298	291	276	292	302	346	368
	Pork	40	43	47	45	41	37	38	37
	Mutton and lamb	473	463	389	476	469	521	567	573
Pakistan (commercial)	Beef and veal	258	264	264	270	264	274	275	275
	Mutton and lamb	81	87	87	91	87	94	95	...
Philippines[e]	Beef and veal	55	60	60	60	60	60	60	60
	Pork	165	158	155	240	279	203	295	290
	Mutton and lamb	3	2	3	2	3	2	3	3
Singapore (commercial)	Beef and veal	—	—	—	—	—	—	—	...
	Pork	18	16	15	16	18	18	16	17
	Mutton and lamb	—	—	—	—	—	—	—	...
Thailand (inspected)	Beef and veal	44	43	47	47	48	47	48	48
	Pork	131	130	125	125	137	137	139	139
Viet-Nam, Rep. of (total)	Beef and veal	16	16	17	27	28	28	29	29
	Pork	90	90	100	115	107	108	100	110

Source: Food and Agriculture Organization of the United Nations.

General Note: Data in this table refer to production of beef and veal (including buffalo meat), pork (including bacon and ham as pigmeat equivalent), and mutton and lamb (including goat meat), in terms of carcass weight, excluding lard, tallow and offals. Except as otherwise specified, data refer to production from indigenous animals only, including, where applicable, the meat equivalent of exported live animals. Where information concerning the statistical coverage of the data shown is available, an appropriate notation is inserted under the name of the country, "total" production refers to meat produced from both commercial and farm slaughter; "commercial", to total production excluding farm slaughter; and "inspected" to meat produced from animals slaughtered under governmental supervision. For some countries, no information concerning coverage is available but it is believed that, for most of those countries, the figures refer to inspected or commercial production only.

a. Years beginning 1 July.
b. Data cover 70 towns only, with a population of a little over 2 million.
c. Including edible offals.
d. Year ending 30 September.
e. Year beginning 1 March.

12. PRODUCTION OF DAIRY PRODUCTS

Thousand tons

		1962	1963	1964	1965	1966	1967	1968	1969
MILK									
Afghanistan	Cow	300	305	336	367	367	368	368	370
	Buffalo	3	3	3	4	4	4	4	4
	Sheep	190	191	192	194	205	210	212	215
	Goat	62	58	53	49	49	49	48	47
Australia[a]	Cow	6 879	7 013	7 128	7 133	7 521	7 019	7 134	7 700
Burma	Cow	263	283	301	317	318	318	319	320
	Buffalo	18	18	21	21	22	22	23	24
Ceylon	Cow	81	115	144	151	125	122	137	130
	Buffalo	23	35	40	51	41	40	41	40
China (mainland)	Cow	2 715	2 753	2 790	2 828	2 865	2 900	2 950	2 990
China (Taiwan)	Cow	5	8	11	14	14	14	15	15
Fiji	Cow	10	10	10	10	11	11	12	12
Hong Kong[b]	Cow	6	5	6	6	6	6	7	7
India	Cow	8 860	8 964	9 069	9 196	9 308	9 408	9 518	9 620
	Buffalo	11 107	11 123	11 139	11 153	11 166	11 180	11 194	11 210
	Goat	538	541	544	547	550	555	560	565
Indonesia	Cow	35	33	38	41	44	47	50	54
Iran	Cow	864	855	846	835	827	851	874	870
	Buffalo	69	63	57	52	46	46	44	47
	Sheep	336	361	391	417	444	447	450	470
	Goat	276	268	263	254	248	243	239	235
Japan	Cow	2 437	2 761	3 020	3 221	3 409	3 566	4 016	4 420
	Goat	9	8	7	6	5	4	4	4
Korea, Rep. of	Cow	4	5	9	11	15	19	24	27
	Goat	2	2	2	2	6	6	9	9
Malaysia: West Malaysia	Cow	18	20	20	21	21	21	22	23
	Buffalo	4	4	5	5	5	6	6	7
New Zealand[c]	Cow	5 381	5 459	5 684	6 011	6 135	6 230	6 165	6 427
Pakistan	Cow	4 918	5 014	5 120	5 228	5 337	5 546	5 700	5 900
	Buffalo	5 610	5 719	5 840	5 963	6 088	6 325	6 500	6 670
	Goat	638	650	664	678	692	719	750	770
Philippines	Cow	9	10	11	13	14	15	15	16
	Buffalo	12	13	14	14	14	15	16	17
Singapore	Cow	1	1	1	1	1	1	1	1
BUTTER									
Australia[a]	Total	206	207	206	209	222	196	201	...
India[d]	Total	436	438	441	444	447	449	450	...
Japan	Factory	19	22	23	24	25	24	32	...
New Zealand[c]	Total	214	221	235	249	259	260	252	271
Pakistan[e]	...	112	112	112	112	112	112	112	...
CHEESE[f]									
Australia[a]	Total	60	59	63	60	70	70	78	...
Burma	Total	5	5	5	5	6	6	6	...
Iran	Total	26	27	28	29	30	31	32	...
Japan	Factory	8	12	13	16	27	31	33	...
New Zealand[c]	Total	102	100	97	108	107	112	112	98
CONDENSED AND EVAPORATED MILK									
Australia[a]	Whole	63	76	87	74	69	61	62	...
	Skim	9	12	10	10	11	8	6	...
Japan	Whole	60	55	41	41	39	41	44	...
	Skim	31	29	28	26	23	22	22	...
New Zealand[g]	...	15	15	16	14	16	16	15	15
DRIED MILK									
Australia[a]	Whole	18	19	20	20	22	22	24	...
	Skim	43	42	49	51	85	88	70	...
	Butter milk and whey	9	10	9	12	14	15	15	...
Japan	Whole	46	52	61	76	74	82	80	...
	Skim	17	25	27	25	26	30	50	...
New Zealand[c]	Skim-milk powder	42	52	64	82	88	140	147	138
	Butter milk powder	18	18	20	22	25	26	24	27

Source: Food and Agriculture Organization of the United Nations.
General Note: Milk production generally excludes milk sucked by young animals but includes milk fed to them.
a. Year beginning 1 July.
b. Year beginning 1 April.
c. Year ending 31 May.
d. Including ghee.
e. Mainly ghee.
f. Cheese from whole and partly skimmed milk of cows or buffaloes.
g. Years ending 31 May, including condensed milk and whole milk powder.

13. INDEX NUMBERS OF INDUSTRIAL PRODUCTION

1963 = 100[a]

	Weight	1967	1968	1968 I	1968 II	1968 III	1968 IV	1969 I	1969 II	1969 III	1969 Sep	1969 Oct	1969 Nov	1969 Dec
AUSTRALIAϕ[b] *(July 1963/June 1964=100)*														
Manufacturing	91.0	115	126	115	125	131	132	127	133	*140*	*144*	*144*	...	...
Durable goods	55.0	112	124	109	124	132	131	115	130	*137*	*140*	*140*	...	...
Non-durable goods	36.0	119	124	122	122	123	130	132	131	*136*	*144*	*146*	...	...
CHINA (Taiwan)														
Industrial production[c]	100.0	193	234	219	224	235	257	264	269	276	264	268	280	313
Mining and quarrying	8.1	117	107	107	120	111	129	119	125	107	97	104	122	135
Manufacturing[c]	82.1	199	245	232	235	246	270	283	284	291	281	285	295	334
Food[c]	17.4	131	158	153	160	160	148	254	136	123	117	103	37	194
Textiles	10.9	162	272	233	260	284	309	288	326	339	331	359	364	358
Chemicals	11.2	271	309	290	308	314	328	335	318	336	322	351	365	392
Non-metallic mineral products	11.7	165	181	184	182	183	207	193	203	182	169	178	186	207
Public utilities	8.8	166	198	178	190	203	207	210	220	240	226	236	235	247
Construction	1.0	806	1 079	937	912	1 053	1 298	1 020	1 481	1 429	1 288	1 164	1 518	1 404
INDIA[d]														
Industrial production	100.0	116	*124*	129	121	124	125	128	128	*131*	...	...	...	...
Mining and quarrying	9.7	109	115	120	122	109	109	117	123	*114*	...	...	...	...
Manufacturing	84.9	114	121	123	114	123	123	126	123	*127*	...	...	...	...
Food	12.1	103	100	106	84	104	97	125	124	*119*	...	...	...	...
Sugar	3.6	94	...	250	8	10	...	...	...	...	...	...	...	...
Tea	5.1	111	...	18	104	171	...	...	...	...	...	...	...	...
Textiles	27.1	98	103	104	103	104	94	98	96	*101*	...	...	...	...
Chemicals	7.3	129	147	146	137	152	158	158	152	*159*	...	...	...	...
Basic metal industries	7.4	104	113	105	108	115	117	119	116	*116*	...	...	...	...
Electricity	5.4	153	177	162	181	180	183	174	199	*202*	...	...	...	...
IRAN*														
General	100.0	170	186	165	178	199	201	...	...	...	...	...	...	...
Mining[e]	60.8	177	195	180	185	202	213	...	...	...	...	...	...	...
Manufacturing[f]	37.2	157	174	135	165	193	201	...	...	...	...	...	...	...
Electricity and gas	2.0	199	224	233	171	272	253	...	...	...	...	...	...	...
JAPAN														
Industrial production	100.0	162	190	179	185	192	206	206	216	224	233	239	237	250
Mining and manufacturing	95.8	162	191	179	186	192	207	206	217	225	234	241	239	252
Mining	2.1	104	105	106	102	104	108	106	103	101	103	107	102	109
Manufacturing	93.6	164	193	193	188	195	210	209	221	229	238	244	242	256
Food	10.6	133	142	157	132	130	147	163	140	138	138	148	144	177
Textiles	11.4	142	151	142	150	153	157	153	165	169	171	174	173	176
Chemicals	9.0	164	190	180	189	191	202	207	219	224	230	241	236	249
Ferrous metals	6.5	191	215	204	209	218	229	233	253	264	269	286	280	294
Machinery	30.0	187	239	213	232	245	267	263	286	300	321	323	321	336
Public utilities	4.2	150	167	167	155	169	176	183	174	192	189	191	196	218
KOREA Republic of[g]														
Industrial production	100.0	198	258	193	236	248	277	278	311	313	318	341	340	352
Mining	11.0	137	113	125	143	126	113	103	107	108	109	121	123	131
Manufacturing	81.9	190	275	201	251	265	295	297	334	338	342	366	364	376
Food	6.5	152	177	179	229	223	191	226	246	238	259	272	271	282
Textiles	12.7	200	307	239	268	292	326	366	384	442	455	465	474	500
Chemicals	7.3	237	372	312	395	421	360	346	460	444	426	446	442	432
Electricity	7.1	223	273	242	251	281	315	317	326	354	348	390	392	416
NEW ZEALAND[h]														
Industrial production	100.0	127	...	...	...	...	...	...	...	...	...	...	...	...
Mining and quarrying	3.1	122	...	...	...	...	...	...	...	...	...	...	...	...
Manufacturing	66.7	126	127	127	127	126	127	128	131	...	...	...	...	...
Electricity and gas	4.9	128	...	...	...	...	...	...	...	...	...	...	...	...
Building & construction	25.3	124	...	...	...	...	...	...	...	...	...	...	...	...
PAKISTANϕ *(July 1962/June 1963=100)*														
Industrial production	100.0	148	159	...	...	...	...				*171*			
Mining	6.1	133	128	...	...	...	...				*139*			
Manufacturing	93.9	149	160	...	...	...	...				*172*			
PHILIPPINES														
Mining		131	150	130	148	160	162	*154*	*167*	...	...	...	...	...
Manufacturing	100.0	125	136	122	141	140	142	*143*	...	...	...	...	...	...
Non-durable	82.7	124	136	127	140	138	142	*141*	...	...	...	...	...	...
Food products	15.0	125	128	124	130	129	129	*134*	...	...	...	...	...	...
Beverages	11.6	123	158	148	150	162	170	*169*	...	...	...	...	...	...
Tobacco products	15.8	150	174	172	194	175	155	*173*	...	...	...	...	...	...
Textiles	6.2	109	103	105	98	107	104	*102*	...	...	...	...	...	...
Chemicals	15.4	119	117	110	110	119	130	*120*	...	...	...	...	...	...
Misc. products of petroleum and coal	9.3	134	163	117	172	175	189	*183*	...	...	...	...	...	...
Durable	17.3	130	142	131	144	147	146	*152*	...	...	...	...	...	...

13. INDEX NUMBERS OF INDUSTRIAL PRODUCTION (*Cont'd*)

1963 = 100[a]

	Weight	1967	1968	1968				1969						
				I	II	III	IV[d]	I	II	III	Sep	Oct	Nov	Dec
SINGAPORE *(1966=100)*														
Manufacturing	100.00	111.0	131.0	121.3	129.4	131.3	142.1	136.8	145.8	147.3	...	...	...	...
Food	9.96	109.7	112.3	113.1	117.6	107.1	111.3	112.2	135.5	143.3	...	...	...	...
Beverage	8.64	96.1	98.3	98.7	102.1	95.1	97.2	100.9	103.3	103.6	...	...	...	...
Wood and cork	5.91	97.2	116.6	106.0	122.9	121.5	115.9	115.6	134.5	126.5	...	...	...	...
Printing, publishing	10.65	102.5	100.8	99.4	91.9	97.7	114.1	105.7	101.5	104.2	...	...	...	...
Products of petroleum and coal	14.68	144.8	232.1	220.1	229.6	240.3	238.4	246.4	233.6	240.1	...	...	...	...
Non-metallic mineral products	7.51	83.5	90.1	85.2	93.2	91.3	90.5	100.6	101.5	103.7	...	...	...	...
Metal products	9.27	103.0	107.1	100.9	102.0	112.5	112.8	128.0	144.7	146.1	...	...	...	...
Transport equipment	5.43	104.4	156.1	97.0	154.0	129.2	244.1	165.1	185.3	157.3	...	...	...	...
VIET-NAM, Republic of														
Manufacturing	100.0	165	150	125	154	170	150	186	203	...	...	...	...	...
Food	15.5	129	131	89	120	161	155	140	154	...	...	...	...	...
Beverages	48.2	180	161	141	176	184	143	226	237	...	...	...	...	...

a. Original base: Australia, 1963/64; China (Taiwan), 1961; India, 1960; Iran, 1963; Japan, 1961; Republic of Korea, 1965; New Zealand, 1954/55; Pakistan, 1959/60; Philippines, 1955; Singapore, 1966; Republic of Viet-Nam, 1962.

b. Unofficial index prepared by the Australia and New Zealand Bank Ltd.

c. Sugar production is excluded from the monthly and quarterly index but included in the annual index. Weights relate to annual index.

d. Quarterly figures relate to the mid-month of each quarter.

e. Products of petroleum are included in mining. The mining indexes have been calculated by the Statistical Office of the United Nations from component indexes.

f. Excluding tobacco.

g. Figures are the 1966 base indexes converted into the 1965 base equal to 100. Weights relate to the 1966 base indexes.

h. Year ending 31 March of the year stated except in the case of the important semi-primary industries, the years correspond with the production seasons ending in June or September.

14. PRODUCTION OF SELECTED COMMODITIES

Monthly averages or calendar months

Thousand tons

	1967	1968	1968				1969						
			I	II	III	IV	I	II	III	Sep	Oct	Nov	Dec
TEA													
Ceylon	18.4	18.7	16.4	23.8	13.7	21.0	18.7	22.5	...	...	...	...	...
China (Taiwan)	2.1	2.0	2.2	1.6	1.3	2.7	1.5	2.2	2.3	3.0	5.4	1.9	1.8
India	31.2	28.1	7.2	31.6	45.9	27.5	5.8	...	...	...	...	...	...
Indonesia	33.0	40.1	...	...	...	...	...	...	...	...	...	...	...
Japan	7.1	7.1	...	13.0	13.5	0.6	...	21.3	...	...	...	...	...
Pakistan	2.4	2.4	0.1	2.3	4.2	3.0	0.1	2.5	4.3	4.2	*4.8*	...	...
NATURAL RUBBER[a]													
Cambodia	4.5	4.3	2.3	3.8	5.0	6.1	2.5	3.2	5.2	4.8	5.4	...	...
Ceylon	11.9	12.4	12.6	10.1	12.7	14.1	12.8	9.5	14.4	11.8	18.2	8.8	13.5
India	5.2	5.7	4.4	5.3	5.3	7.9	5.2	6.2	6.4	7.6	7.8	9.3	9.8
Indonesia	*63.5*	62.7	57.0	64.5	62.8	66.5	*61.0*	*61.0*	*66.0*	*66.0*	*66.0*	*66.0*	*66.0*
Malaysia and Singapore	83.4	92.6	85.6	77.1	99.6	108.1	100.8	88.4	119.7	118.1	...	...	...
Thailand	17.9	21.5	25.3	20.0	14.8	26.1	28.2	20.4	19.1	5.8	26.2	...	...
Viet-Nam, Republic of	3.7	2.4	1.2	2.1	2.7	3.7	1.4	1.9	2.3	2.0	2.8	3.0	...
COAL													
Afghanistan*	12.6	...	...	...	...	...	...	...	...	...	...	...	...
Australia	2 939	3 402	2 937	3 320	3 734	3 617	3 322	3 777	4 286	4 419	4 665	4 045	...
China (Taiwan)	423	431	441	431	407	447	388	423	354	329	329	387	437
India[b]	5 907	6 251	6 413	6 262	5 985	6 345	6 516	6 644	...	...	...	...	...
Indonesia	17.3	14.7	14.5	14.8	15.3	14.1	14.5	...	...	...	...	...	...
Iran*	25.0	...	...	...	...	...	...	...	...	...	...	...	...
Japan	3 957	3 858	4 068	3 769	3 768	3 858	3 972	3 671	3 506	3 560	3 748	3 576	...
Korea, Republic of	1 036	797	850	820	742	778	729	709	699	703	916	928	936
Mongolia[b]	104	...	...	...	...	...	...	...	...	...	...	...	...
New Zealand[b]	200	188	157	194	213	189	160	188	...	...	...	...	...
Pakistan[b]	*117*	...	...	...	...	...	...	...	...	...	...	...	...
Philippines	5.4	3.1	4.8	3.9	1.2	1.1	3.2	6.2	...	...	...	...	...

14. PRODUCTION OF SELECTED COMMODITIES (*Cont'd*)

Monthly averages or calendar months

Thousand to

	1967	1968	1968 I	1968 II	1968 III	1968 IV	1969 I	1969 II	1969 III	1969 Sep	1969 Oct	1969 Nov	1969 De
NATURAL GAS *(million cubic metres)*													
Australia	0.36	0.51	0.33	0.54	0.60	0.57	1.28	16.65	30.89	32.14	30.89	38.15	49.9
Brunei	18.0	...	...	...	...	...	...	...	...	...	...	...	..
China (Taiwan)	43.93	58.70	41.11	53.69	63.95	76.03	78.82	67.02	70.89	66.33	74.64	83.58	96.6
Indonesia[c]	231.0	*275*	*277*	...	*275*	...	...	...	...	...	...	...	..
Iran	123.5	131.2	139.3	128.0	122.7	134.7	137.3	139.0	206.0	329.0	432.0	438.0	438.
Japan[d]	156.0	168.0	177.0	162.0	159.0	175.0	186.0	175.0	167.7	173.0	187.0	189.0	204.
Pakistan[c]	168.0	...	...	...	...	...	...	...	...	...	...	...	..
PETROLEUM, CRUDE[e]													
Australia	80.5	147.0	140.0	147.4	153.0	148.3	144.7	151.0	166.7	175.0	211.0	212.0	200.
Brunei	425	...	...	...	...	...	...	...	...	...	...	...	..
Burma	48.9	60.7	62.9	61.9	63.0	62.3	61.3	...	...	...	...	...	..
China (Taiwan)	2.89	4.97	3.52	4.39	5.27	6.70	7.44	6.16	6.33	5.87	6.63	7.97	9.2
India	463	481	475	495	486	468	544	560	555	545	564	578	59
Indonesia	2 109	2 477	2 293	2 692	2 932	2 841	2 782	...	...	...	...	...	..
Iran[r]	10 730	11 710	10 955	11 161	12 206	12 503	13 128	13 235	13 930	14 442	15 033	15 188	15 04
Japan	65.6	65.1	65.9	64.2	64.2	66.0	63.9	61.1	66.0	65.3	67.9	67.4	68.
Mongolia	0.83	...	...	...	...	...	...	...	...	...	...	...	..
Malaysia: Sarawak	3.66	16.83	3.52	3.64	31.19	28.96	29.50	37.33	41.40	40.40	41.40	38.00	42.8
Pakistan	40.5	42.7	*40.5*	*40.7*	*40.7*	*40.0*	40.1	40.5	40.4	39.3	40.6	39.3	40.
IRON ORE[f]													
Australia	1 430	2 199	1 664	2 073	2 436	2 620	2 721	3 617	...	...	...	...	..
Hong Kong	12.0	13.5	14.4	12.0	13.4	14.0	12.3	13.1	14.5	...	...	...	..
India	2 130	2 280	2 322	2 234	2 076	2 489	2 629	2 325	2 049	2 203	2 412	2 371	2 55
Japan[g]	184	173	168	144	181	183	153	163	157	159	153	147	13
Korea, Republic of	58.2	69.1	61.4	79.1	75.6	60.3	51.4	64.5	60.2	56.1	59.3	50.9	70.
Malaysia: West Malaysia	453	431	368	457	527	370	442	510	496	497	436	217	23
Philippines	123	113	100	113	116	123	124	126	...	...	...	...	..
Thailand	45.8	41.6	8.3	77.1	75.5	5.6	2.7	93.1	62.5	66.2	0.6	1.1	0.
TIN-IN CONCENTRATES													
Australia	0.473	0.563	0.446	0.526	0.606	0.691	0.585	0.614	0.701	*0.701*	—	0.711	—
Burma	0.022	0.025	0.025	0.025	0.025	0.025	—	—	—	0.025	—	—	—
Indonesia	1.151	1.408	1.134	1.400	1.559	1.539	1.333	1.431	1.512	1.564	1.276	1.183	1.21
Japan	0.099	0.077	0.078	0.079	0.079	0.072	0.068	0.057	0.057	0.057	0.069	0.061	0.06
Laos	0.030	0.049	0.039	0.038	...	...	0.058	0.048	...	...	...	...	..
Malaysia	6.106	6.356	6.331	6.260	6.650	6.187	6.167	5.867	6.152	5.880	6.359	6.337	6.07
Thailand	1.904	1.994	2.153	1.891	2.162	1.769	*2.002*	*2.002*	*2.002*	...	...	...	..
SALT													
Afghanistan*	3.2	2.1	...	...	...	...	...	...	...	...	...	...	..
Australia	59.0	...	...	...	...	...	...	...	...	...	...	...	..
Burma	11.2	7.5	15.2	20.3	5.6	2.4	23.0	25.6	...	...	...	...	..
Ceylon	6.3	8.3	2.3	5.2	21.4	4.1	5.4	...	...	...	...	...	..
China (Taiwan)	43.1	26.0	31.7	32.4	5.8	33.8	34.7	41.9	16.9	9.8	8.8	39.4	54.
India	374.0	420.3	294.8	975.6	233.8	177.0	366.0	1 004.0	...				
Indonesia	8.3	...	...	...	...	...	...	...	...	...	...	...	..
Japan[h]	81.1	80.6	75.0	90.3	85.5	71.7	65.3	85.4	85.7	102.4	90.3	93.1	..
Korea, Republic of	51.0	46.8	—	115.1	71.3	0.7	...	...	...	...	...	...	..
New Zealand	4.7	...	...	...	...	...	...	...	...	...	...	...	..
Pakistan	57.6	69.8	66.0	80.6	67.2	65.2	79.5	...	...	...	...	...	..
Philippines	9.7	...	...	...	...	...	...	...	...	...	...	...	..
Thailand	9.2	...	...	...	...	...	...	...	...	...	...	...	..
Viet-Nam, Republic of	13.1	...	...	...	...	...	...	...	...	...	...	...	..
SUGAR													
Afghanistan*	1.42	1.58	...	...	...	...	...	...	...	...	...	...	..
Australia	52.3	54.0	54.3	48.7	55.2	57.8	55.5	48.2	*55.4*	*58.0*	...	...	..
Burma	5.9	6.3	13.7	4.0	—	*5.5*	12.3	...	...	...	...	...	..
China (Taiwan)	68.8	67.9	176.9	34.5	—	53.0	183.8	18.8	—	—	—	0.4	77.
Fiji	26.4	31.8	...	...	...	...	...	...	...	...	...	...	..
India	181.2	182.3	455.4	40.9	17.2	215.7	657.3	281.0	100.0	26.3	...	...	..
Indonesia	54.9	50.0	...	...	...	...	...	...	...	...	...	...	...
Iran*	38.0	38.1	...	...	...	...	...	...	...	...	...	...	...
Japan	155.5	162.6	134.1	162.4	163.5	190.5	151.0	170.3	181.0	166.5	...	...	...
Korea, Republic of	9.1	11.7	9.3	11.4	13.7	12.3	13.0	14.0	15.0	14.0	19.0	20.0	20.
New Zealand	10.8	11.0	12.7	9.1	10.2	12.0	13.0	9.4	...	...	...	...	...
Pakistan	34.3	27.4	64.8	6.2	—	38.8	76.5	7.1	1.9	—	—	35.6	87.
Philippines	133.3	137.5	...	...	...	...	...	...	...	...	...	...	...
Thailand	19.4	15.7	...	...	...	...	—	—	—	26.5	—	—	—
Viet-Nam, Republic of	7.5	8.0	5.1	7.5	10.2	9.7	8.4	10.0	9.0	*9.0*	*9.0*	*9.0*	...

14. PRODUCTION OF SELECTED COMMODITIES (*Cont'd*)

Monthly averages or calendar months

Thousand tons

	1967	1968	1968 I	1968 II	1968 III	1968 IV	1969 I	1969 II	1969 III	1969 Sep	1969 Oct	1969 Nov	1969 Dec
COTTON YARN													
Australia	2.33	2.28	1.93	2.40	2.51	2.27	1.91	2.52	2.67	2.76	2.88	2.52	1.95
Burma	0.51	0.62	0.59	0.57	0.68	0.65	0.61	0.61	...	...	...	...	...
China (Taiwan)	5.9	5.8	5.3	5.6	6.1	6.1	6.1	6.6	6.3	6.0	7.1	7.2	6.5
Hong Kong	11.4	12.3	11.7	12.4	12.4	12.7	11.6	12.0	11.9	...	...	...	...
India	74.7	80.1	79.3	79.2	82.3	79.5	78.4	78.3	79.6	...	...	...	...
Japan	43.2	45.9	44.9	46.3	45.5	47.0	42.9	44.4	43.7	46.4	44.4	44.4	45.5
Korea, Republic of	6.2	6.1	6.0	6.0	6.5	5.8	6.1	7.1	7.2	6.3	8.0	7.8	7.3
Pakistan	20.8	22.5	21.3	21.7	23.2	23.7	22.2	24.2	24.4	24.8	24.3	25.0	24.8
Philippines	2.06	1.81	2.17	1.88	1.49	1.71	2.84	2.97	3.24	3.08	3.09	3.13	...
COTTON FABRICS *(million metres)*													
Afghanistan*	5.3	...	...	...	...	...	...	...	...	...	...	...	...
Australia *(million sq. metres)*	4.84	4.95	4.17	5.11	5.46	4.29	4.04	4.78	4.08	4.30	4.46	5.01	3.44
China (Taiwan)	28.4	31.0	26.3	30.2	32.0	35.3	30.9	34.4	33.8	33.3	38.3	37.7	41.3
Hong Kong *(million sq. metres)*	51.1	55.1	...	...	...	...	...	...	...	...	...	...	...
India[i]	341	364	367	365	373	350	344	350	350	...	...	...	...
Japan *(million sq. metres)*	235	229	225	232	227	230	231	237	228	233	229	231	...
Korea, Rep. of *(million sq. metres)*	20.1	20.3	24.6	25.3	20.5	21.2	25.3	...	...	...	...	...	...
Pakistan	58.8	58.0	58.4	56.4	57.3	59.9	57.6	60.3	*62.5*	*62.1*	...	...	...
Philippines	13.5	16.2	16.6	15.4	16.0	16.7	16.2	17.9	17.4	17.2	16.4	15.7	...
Thailand *(million sq. metres)*	28.8	26.4	...	...	...	...	...	...	...	...	...	...	...
JUTE MANUFACTURES *(Gunny bags, million pieces)*													
Burma	1.80	1.70	1.83	1.77	1.90	1.33	1.33	1.33	...	...	...	...	...
China (Taiwan)	1.21	1.10	1.10	1.21	0.98	1.10	1.05	1.09	0.94	1.02	0.99	0.96	1.10
India *(million tons)*	96.4	90.4	99.0	95.2	89.8	77.6	69.7	73.0	...	...	...	...	...
Pakistan *(million tons)*	36.1	44.4	40.5	43.8	48.2	45.0	38.5	44.0	*51.2*	*49.7*	...	...	...
Thailand	4.55	4.61	4.44	4.04	5.00	4.91	4.18	3.47	3.53	3.63	3.77	3.69	3.90
PAPER[j]													
Australia	8.1	7.8	7.7	8.0	8.1	7.4	12.0	14.5	15.0	14.9	15.2	14.6	11.2
China (Taiwan)	15.7	19.9	18.7	18.0	20.8	21.9	19.5	23.7	23.4	21.1	22.9	24.4	24.6
India	31.5	32.8	33.2	32.2	31.6	34.2	34.0	...	...	...	...	...	...
Japan	372.2	459.1	448.9	459.1	455.6	472.7	470.3	506.1	524.5	536.6	...	...	...
Korea, Republic of	4.8	5.2	4.0	4.9	5.2	6.6	6.8	7.0	7.0	6.9	7.2	7.3	7.5
New Zealand‡	16.7	16.3	14.1	16.2	17.2	17.5	16.6	16.6	17.4	...	—	18.6	—
Pakistan	5.7	5.9	5.7	5.9	5.6	6.6	5.6	6.1	*6.1*	6.1	...	...	...
Thailand	1.75	2.00	2.00	2.22	2.02	1.75	2.01	2.44	2.78	2.73	2.86	2.69	1.83
VEGETABLE OILS													
China (Taiwan): Edible oil	2.4	3.5	3.2	3.3	3.4	3.1	4.3	4.2	3.7	4.1	5.3	4.2	4.2
India: Edible oil (Vanaspati)	32.7	39.5	43.7	39.4	33.9	41.0	41.0	...	...	...	...	...	...
Japan: Edible oil	52.9	55.6	55.3	55.4	52.7	59.2	58.4	57.7	56.6	61.2	62.4	66.8	...
In-edible oil	13.5	12.8	12.3	12.5	13.2	13.2	13.1	14.7	14.0	16.4	15.0	13.3	...
Coconut oil	6.4	6.3	6.2	6.0	6.5	6.5	5.7	6.3	6.3	7.0	6.8	5.7	...
Malaysia: West Malaysia													
Coconut oil	6.5	7.6	6.8	8.0	8.2	7.4	6.6	...	...	...	...	...	...
Palm oil	18.1	22.1	21.1	18.4	24.0	24.8	25.2	...	...	...	...	...	...
Pakistan: Vegetable oil	*7.5*	*7.6*	*8.2*	*6.7*	*7.1*	*8.3*	*7.7*	*8.4*	*8.4*	*8.5*	...	...	...
Philippines:[k] Coconut oil	28.7	...	33.0	25.0	36.6	...	...	...	...	...	...	...	...
Singapore: Coconut oil	2.5	2.8	2.5	2.7	2.7	3.2	2.7	2.3	2.1	2.0	2.5	1.7	...
SUPERPHOSPHATES													
Australia	386.4	353.4	406.4	348.9	324.1	334.3	357.3	314.3	271.3	330.2	...	...	...
China (Taiwan)	17.0	17.0	10.9	11.8	18.8	28.5	12.3	14.0	20.6	27.7	15.9	17.8	21.9
India[m]	10.7	10.1	11.8	10.5	8.3	9.6	9.5	10.0	...	...	...	...	...
Japan	99.6	95.6	112.5	98.8	78.0	93.1	103.3	83.9	61.3	68.5	78.8	69.9	85.6
New Zealand	113.2	127.8	...	...	...	...	...	...	...	...	...	...	...
Pakistan	0.44	1.57	1.68	2.40	0.58	1.61	0.14	2.46	2.08	2.97	...	...	...
AMMONIUM SULPHATE													
Australia	7.4	7.4	6.2	5.3	8.0	9.9	8.2	9.7	11.9	11.4	9.9	...	...
China (Taiwan)	26.5	31.8	23.9	27.1	33.8	42.4	37.4	25.0	38.1	35.4	39.3	37.1	39.5
India[n]	7.0	9.3	8.7	7.2	9.6	11.1	12.2	...	...	...	...	...	...
Japan	225.8	226.2	231.9	220.4	234.3	218.4	219.2	206.2	218.3	217.7	205.0	211.2	207.6
Pakistan	3.8	3.9	4.4	3.3	3.6	4.1	3.2	3.3	3.4	4.3	4.4	6.9	...
PETROLEUM PRODUCTS[p]													
Australia	80.5	147.2	140.0	147.4	153.0	148.3	144.7	151.0	166.7	175.0	...	...	...
Burma	49	54	55	49	59	51	57	...	...	...	...	...	...
China (Taiwan) *(thousand kilolitres)*	183	234	168	237	243	275	287	317	...	...	...	...	...
India	1 122	1 246	1 171	1 292	1 242	1 277	1 327	1 323	1 393	1 387	1 261	1 275	1 474
Indonesia	587.6	...	...	...	...	...	...	...	...	...	...	...	...
Iran	1 632	*1 701*	1 569	1 626	1 841	*1 768*	1 659	1 633	1 670	1 568	1 751	...	...
Japan	65.6	65.1	65.9	64.2	64.2	66.0	63.9	61.1	66.0	65.3	...	...	...
Korea, Republic of *(thousand kilolitres)*	216	423	301	407	460	524	525	514	495	468	568	655	641
Malaysia: Sarawak	284	...	...	...	...	...	...	...	...	...	...	...	...
Philippines	469.1	...	...	...	...	...	...	...	...	...	...	...	...
Thailand *(thousand kilolitres)*	203	240	206	205	290	260	262	331	318	411	260	328	290

14. PRODUCTION OF SELECTED COMMODITIES (*Cont'd*)

Monthly averages or calendar months

Thousand ton

	1967	1968	1968				1969						
			I	II	III	IV	I	II	III	Sep	Oct	Nov	Dec
CEMENT													
Afghanistan*	10.9	...	...	...	...	...	...	...	...	...	...	...	...
Australia	319	327	298	324	349	339	316	344	393	393	403	399	334
Burma	11.0	14.7	15.0	13.5	14.1	15.3	14.8	15.8	...	...	...	...	...
Ceylon	13.9	18.5	15.7	20.9	18.7	18.7	25.2	...	...	...	...	...	...
China (Taiwan)	290.5	332.8	325.6	316.5	320.9	368.0	347.7	348.1	325.8	304.0	310.1	341.8	380.6
Hong Kong	17.9	31.3	31.6	35.6	29.4	25.9	30.5	29.1	33.7	27.9	26.5	33.1	39.2
India	942	992	999	973	921	1 081	1 099	1 130	1 071	1 076	1 223	1 218	1 28[illegible]
Indonesia	27.0	...	...	...	...	...	...	...	...	...	...	...	...
Iran	128.2	...	...	...	...	...	...	...	...	...	...	...	...
Japan	3 605	3 973	3 724	3 773	4 003	4 393	3 943	4 053	4 362	4 542	4 686	4 542	5 087
Korea, Republic of	203.4	297.7	160.4	347.8	333.8	348.7	252.7	454.3	467.7	512.0	554.0	440.0	317.0
Malaysia: West Malaysia	74.9	79.5	73.8	83.7	83.0	77.5	75.1	73.0	91.8	100.0	85.1	81.1	81.[illegible]
New Zealand	67.8	63.6	63.0	63.0	65.3	63.3	66.1	67.4	48.5	67.8	72.3	67.2	60.[illegible]
Pakistan	178.3	197.9	173.4	194.4	194.1	229.6	207.6	221.2	229.3	242.8	233.7	245.9	218.0
Philippines	139.2	184.4	174.7	182.1	209.1	171.7	165.0	204.0	193.7	178.0	213.0	183.0	...
Thailand	144.7	180.7	170.7	190.0	180.5	181.5	197.3	203.8	190.1	193.8	220.4	182.8	226.7
STEEL (ingots and metal for castings)													
Australia	524	543	526	537	587	572	577	570	...	...	...	...	...
China (Taiwan)	36.9	39.5	44.1	41.2	33.9	38.8	39.3	43.1	44.0	43.6	43.5	43.7	45.8
India[q]	537	537	547	504	527	570	566	...	...	...	...	...	...
Japan	5 179	5 574	5 395	5 443	5 624	5 836	6 093	6 667	6 990	7 156	...	...	...
Korea, Republic of[q]	26.7	30.5	22.1	29.5	34.2	36.0	33.2	33.8	36.1	33.5	35.2	39.5	...
TIN METAL													
Australia	0.304	0.313	0.297	0.290	0.309	0.354	0.232	0.413	0.385	0.453	0.276	...	...
Indonesia	0.125	0.386	0.122	...	...	...	...	...	...	...	...	...	...
Japan	0.143	0.157	0.146	0.173	0.175	0.137	0.132	0.126	0.108	0.104	0.114	0.119	0.113
Malaysia	6.463	7.467	7.038	7.125	7.892	7 812	7 596	6 639	7 679	6.724	...	...	...
Thailand	2.248	2.069	2.202	2.081	1.990	2 002	...	...	...	...	...	...	...
ELECTRICITY[s] *(million kWh)*													
Afghanistan*[t]	29.75	*21.13*	...	...	...	...	...	...	...	...	...	...	...
Australia[t]	3 592	3 878	3 362	3 949	4 399	3 804	3 712	4 347	4 749	4 595	4 496	4 126	...
Brunei	2.36	*2.85*	...	...	...	...	...	...	...	...	...	...	...
Burma	32.3	34.7	34.6	34.0	34.4	35.7	34.9	...	...	...	...	...	...
Cambodia	7.93	9.09	8.61	9.27	9.08	9.42	9.91	11.20	...	...	...	...	...
Ceylon[t]	48	*51*	50	53	*54*	...	...	...	...	...	...	...	...
China (Taiwan)	701	817	753	804	860	849	855	899	977	920	955	959	1 006
Fiji	10.0	...	...	...	...	...	...	...	...	...	...	...	...
Hong Kong[u]	252	288	239	281	333	297	237	324	389	398	380	326	306
India	3 159	3 651	3 455	3 626	3 714	3 808	3 842	4 135	...	...	...	...	...
Indonesia	140.0	*133.9*	...	...	...	...	...	...	...	...	...	...	...
Iran*[t]	375.0	*358.2*	...	...	...	...	...	...	...	...	...	...	...
Japan[t]	19 795	22 093	21 079	20 888	23 093	23 324	23 747	23 816	...	...	...	...	...
Korea, Republic of	409	500	445	461	516	578	583	599	650	640	717	720	...
Laos	2.0	2.1	2.2	2.3	2.4	1.7	...	...	...	...	...	...	...
Malaysia:													
East Malaysia: Sarawak	6.7	7.3	6.7	7.3	7.5	7.7	7.9	8.0	8.2	8.1	8.5	8.0	8.0
West Malaysia	220	243	231	241	250	252	249	249	...	...	...	...	...
Mongolia[t]	24.7	...	...	...	...	...	...	...	...	...	...	...	...
Nepal	2.5	*3.6*	...	...	...	...	...	...	...	...	...	...	...
New Zealand	957	1 006	835	1 060	1 173	958	869	1 123	1 240	1 101	1 120	937	911
Pakistan	2.5	...	...	...	...	...	...	...	...	...	...	...	...
Philippines (Manila)	319	358	336	364	367	363	369	403	411	...	...	...	...
Singapore	119	137	126	135	142	144	144	154	161	162	171	164	165
Thailand (Bangkok and Thonburi)	159	208	181	203	218	228	232	254	293	306	...	...	...
Viet-Nam, Republic of	57	60	50	58	64	67	78	90	89	88	95	88	...
Western Samoa[t] (Apia district)	0.67	0.76	0.72	0.75	0.76	0.78	...	...	...	...	...	...	...

a. Including latex.

b. Including lignite (India, monthly and quarterly data).

c. Including gas repressured (Indonesia, also including gas wasted)

d. Gas fields production only.

e. Specific gravity: Australia, 0.80; Brunei, Burma, India, Iran, Pakistan and Malaysia (Sarawak), 0.84; China (Taiwan), 0.89; Indonesia, 0.85; Japan, 0.90.

f. Approximate metal content of ores as follows: Australia, 65%; Hong Kong and the Philippines, 55-60%; India, 61%; Japan, 55%; Republic of Korea, 45-55%; Malaysia (West Malaysia), 60%; Thailand, 60-65%.

g. Including iron sand.

h. Production in government licensed plants only.

i. Mill production only.

j. Paper excluding paperboard: India, printing and writing; Republic of Korea, Australia and New Zealand, newsprint; Pakistan, newsprint, printing other than newsprint and writing.

k. Production of large manufacturing establishments employing 20 or more workers.

m. P_2O_5 content.

n. 'N' content.

p. Comprising motor spirit, kerosene and other fuel oil for Burma; gasoline, diesel oil, kerosene and fuel oil for China (Taiwan) and Thailand; motor spirit, aviation spirit, kerosene, heavy oil, wax and paraffin, asphalt and cutback for Indonesia; motor spirit, kerosene, distillate fuel oils and residual fuel oil for Malaysia (Sarawak) and Philippines; all products for other countries.

q. Ingots only.

s. Gross production by enterprises generaally for public use.

t. Including production by industrial establishments generating primarily for own use.

u. Limited series.

15. CONSTRUCTION — NEW BUILDING

Monthly averages or calendar months

	1967	1968	1968				1969						
			I	II	III	IV	I	II	III	Sep	Oct	Nov	Dec
Australia: completed													
(Number of buildings)													
Houses and flats	9 668	10 380	8 974	10 273	10 639	11 482	9 810	11 477	11 516	...	...	...	...
China (Taiwan): completed													
(Floor area—*thousand sq metres*)													
Public and private	308.79	388.3	349.1	349.7	409.2	448.5	400.7	555.7	498.1	463.1	421.3	511.3	514.6
Hong Kong: completed													
(Cost—*thousand Hong Kong dollars*)													
Residential	45 904	26 799	28 851	33 670	16 681	27 994	14 024	23 723	6 639	6 457	24 121	15 737	11 228
Industrial	6 521	3 404	2 798	5 873	103	4 842	2 539	2 056	1 925	1 721	15 326	7 520	9 434
Commercial	12 977	15 113	8 211	5 516	11 341	3 538	540	2 654	13 704	39 618	47 033	2 371	3 198
Others	10 482	15 564	7 796	14 229	5 894	34 337	4 754	5 915	6 331	8 487	4 041	12 856	5 842
Japan: started													
(Floor area—*thousand sq metres*)													
Residential	6 269	7 435	6 283	7 765	7 747	7 945	6 595	8 819	9 384	9 211	8 412	...	...
Industrial	2 017	2 331	2 127	2 399	2 260	2 539	2 374	2 940	3 009	2 999	3 185	...	...
Commercial	1 616	1 828	1 510	1 929	1 879	1 996	1 667	2 405	2 290	2 359	1 969	...	...
Others	1 464	1 778	1 507	1 570	1 965	2 069	1 570	1 827	2 152	2 431	2 112	...	...
Korea, Republic of: permits issued													
(Floor area—*thousand sq metres*)													
Residential	200	232	112	290	304	221	100	309	259	301	276	201	123
Non-residential	224	330	212	385	448	271	260	523	426	431	414	422	400
New Zealand‡: permits issued													
(Number of buildings)													
Houses and flats	1 780	1 859	1 712	1 973	2 069	1 682	1 867	1 933	2 092	2 156	2 103	1 928	1 627
Philippines[a]: permits issued													
(Value—*thousand pesos*)													
Residential	2 190	2 194	2 800	2 764	1 146	2 067	...	...	...	...	...	...	...
Non-residential	4 104	4 012	4 026	8 037	1 759	2 225	...	...	...	...	...	...	...
Viet-Nam, Republic of[b]: permits issued													
(Floor area—*thousand sq metres*)													
Apartments	15.27	9.19	4.64	4.17	18.13	8.62	9.94	15.87	10.58	13.24	20.80	6.71	14.96
Houses	15.04	8.50	5.94	2.84	12.25	11.95	6.91	8.29	14.29	10.37	11.70	12.83	6.87
Others	8.19	3.84	3.32	0.95	6.17	4.91	5.53	12.36	6.51	5.52	10.25	2.87	3.43

a. Manila only.

b. Saigon-Cholon only.

16. RAILWAYS: LENGTH AND ROLLING STOCK[a]

End of period

	LENGTH OF RAILWAYS *(km)*								NUMBER OF LOCOMOTIVES[b]							
	1962	1963	1964	1965	1966	1967	1968	1969	1962	1963	1964	1965	1966	1967	1968	1969
Australia	41 170	41 033	40 496	40 287	40 242	40 328	...	...	3 196	3 031	2 891	2 826	2 742	2 623	2 507	...
Burma	3 061	3 067	3 073	3 098	3 098	3 098	3 098	...	296	293	336	361	363	363	363	...
Cambodia	385	385	385	385	460	504	504	...	24	27	27	27	34	40	40	...
Ceylon	1 445	1 445	1 484	1 489	1 490	1 497	1 500	1 535	277	277	277	277	279	279	274	316
China (Taiwan)	979	979	979	975	975	981	1 000	*1 000*	267	267	267	267	312	309	298	*298*
Hong Kong	36	36	36	36	36	36	36	36	9	9	8	8	8	9	9	9
India	57 089	57 389	57 585	58 273	59 061	59 075	59 339	*60 014*	11 034	11 348	11 652	11 732	11 856	11 729	11 692	*11 650*
Indonesia	6 640	6 640	6 640	6 640	6 640	...	...	...	1 218	1 209	1 251	1 254	1 228	1 167	...	...
Iran	3 499	3 505	3 563	3 563	3 563	3 563	...	...	213[e]	213[e]	210[e]	211[e]	215[e]	215[e]	...	...
Japan[f]	20 519	20 516	20 665	20 741	20 754	20 783	20 775	20 827	4 953	4 893	4 902	4 940	5 115	5 095	5 016	4 914
Korea, Republic of	3 032	3 038	2 956	2 980	3 063	3 105	3 149	...	375	405	397	397	434	455	397	...
Malaysia:																
East Malaysia																
Sabah	187	154	154	154	154	154	154	...	13	13	13	12	12	12	14	...
West Malaysia[g]	2 092	2 092	2 092	2 092	2 155	2 156	2 159	2 159	175	188	185	211	224	224	218	187
New Zealand	5 382	5 251	5 254	5 237	5 232	5 169	5 018	4 929	715	712	685	636	625	583	592	554
Pakistan	11 326	11 326	11 326	11 339	11 340	11 340	11 339	*11 479*	1 421	1 419	1 494	1 495	1 508	1 539	1 526	1 516
Philippines	1 020	1 031	1 031	1 031	1 031	1 031	1 031	...	130	123	155	143[h]	143[h]	113[h]	150[h]	...
Thailand	3 519	3 598	3 598	3 598	3 598	3 765	3 765	...	365	390	459	451	433	446	421	...
Viet-Nam, Republic of	1 250	1 250	1 250	1 250	1 250	1 250	1 250	...	103	116	108	124	113	139	138	...

	NUMBER OF PASSENGER CARS[c]								NUMBER OF WAGONS[d]							
	1962	1963	1964	1965	1966	1967	1968	1969	1962	1963	1964	1965	1966	1967	1968	1969
Australia	9 177	8 969	8 829	8 777	8 748	8 727	8 619	...	91 094	90 020	88 929	88 781	88 205	86 887	85 552	...
Burma	1 015	963	987	1 046	1 062	1 115	*1 181*	...	8 663	7 787	8 364	8 630	8 863	9 256	9 329	...
Cambodia	64	65	65	65	59	65	65	...	453	466	466	466	416	486	486	...
Ceylon	1 031	1 100	1 093	1 133	1 118	1 089	1 074	1 064	3 057	3 627	3 537	3 603	3 569	3 593	3 559	3 641
China (Taiwan)	757	743	735	728	791	846	908	*976*	6 010	5 995	5 926	5 817	6 251	6 646	6 847	*6 925*
Hong Kong	65	73	73	71	70	70	70	70	204	204	204	198	198	147	146	146
India	30 098	31 328	32 109	32 634	33 345	33 594	34 208	30 538	314 124	326 074	338 605	353 074	363 966	369 494	371 654	*375 704*
Indonesia	2 961	2 882	2 964	3 063	3 749	3 217	...	...	26 499	27 503	28 948	29 421	29 707	31 235	...	...
Iran	511	497	497	498	497	498	...	...	5 817	5 816	5 808	5 768	5 816	5 817	...	...
Japan[f]	18 940	19 958	20 736	21 851	23 505	24 342	24 729	24 889	123 993	130 297	147 107	153 837	155 680	152 479	157 785	144 611
Korea, Republic of	1 378	1 734	1 382	1 520	1 561	1 526	1 690	...	9 659	10 479	10 764	10 587	11 454	12 617	13 239	...
Malaysia:																
East Malaysia																
Sabah	37	39	41	38	36	34	34	...	121	123	124	123	125	127	130	...
West Malaysia[g]	382	387	392	394	419	409	395	375	6 214	6 230	6 379	6 417	6 526	6 592	6 496	6 448
New Zealand	954	911	882	865	846	809	787	748	32 732	32 429	33 044	33 100	33 439	33 900	33 408	32 760
Pakistan	4 162	4 067	4 226	4 470	4 669	4 648	4 596	4 578	46 304	48 689	51 853	53 153	54 351	55 220	57 497	57 775
Philippines	215	242	177	228[i]	228[i]	200[i]	350	...	1 849	1 849	1 844	1 651	1 826	1 630	1 944	...
Thailand	702	793	774	760	771	818	831	...	6 442	7 206	7 238	7 937	8 672	8 819	8 907	...
Viet-Nam, Republic of	241	287	196	175	169	167	167	...	1 747	1 245	1 468	2 066	2 059	2 059	2 107	...

Source: United Nations Statistical Office and national sources.

a. The figures show stock, which at the end of the working year, was under the control of the railway administration of the countries (i.e. stock of railways plus hired from, less that leased to others). The railways to which the figures refer are those open to public traffic excluding urban and suburban tramways, cable and funicular railways. Vehicles owned by other than railway administrations should be included in the stocks of the Administration which operates them.

b. *Locomotives:* All rail vehicles equipped either with motive power and engines, or with motors only (e.g. electric locomotives) intended exclusively for hauling other vehicles. Excluding railcars.

c. *Passenger carriages:* All passenger-carrying cars and railcars, baggage cars and railway-owned postal vans.

d. *Wagons (freight cars):* All goods carrying cars, excluding railway service wagons.

e. Diesel locomotives only.

f. National railways only.

g. Includes Singapore.

h. Includes 28 diesel rail motor cars, 1967 data includes 27 diesel rail motor cars and 17 new units.

i. Includes 7 dining cars.

17. ROADS: MOTOR VEHICLES IN USE[a]

End of period

Thousands

	NUMBER OF PASSENGER CARS[b]								NUMBER OF COMMERCIAL VEHICLES[c]							
	1962	1963	1964	1965	1966	1967	1968	1969	1962	1963	1964	1965	1966	1967	1968	1969
Afghanistan (Kabul only)	5.9	7.1	8.1	12.8	18.7	27.6	29.2	30.0	8.8	9.3	9.7	12.6	16.4	17.5	17.8	18.8
Australia[d]	2 300.1[e]	2 498.9[e]	2 708.7[e]	2 895.9[e]	3 060.6[e]	3 241.5[e]	3 444.8[e]	...	827.3[f]	844.5[f]	863.3[f]	873.7[f]	888.4[f]	901.2[f]	921.7[f]	...
Brunei	3.3	3.9	4.5	5.4	5.7	6.9	7.8	...	2.1	2.5	1.2	1.6	1.5	1.7	1.9	...
Burma[d]	21.9	24.8	26.7	25.2	28.5	27.9	28.8	...	19.7	19.1	23.1	24.8	23.1	27.3	29.1	...
Cambodia[g]	13.4	15.3	16.4	18.1	19.3	21.7	23.1	...	8.2[h]	8.9[h]	9.3[h]	9.8[h]	10.3[h]	10.6[h]	10.7[h]	...
Ceylon[d]	83.2	82.7	82.6	82.5	82.7	83.7	84.7	86.1	33.8	34.4	35.7	36.3	36.9	38.5	39.6	44.2
China (Taiwan)	10.0	11.0	12.4	15.1	19.2	25.1	30.7	37.8	12.2	13.2	14.8	17.5	21.3	24.5	33.4	41.3
Fiji	4.5	5.2	6.2	7.3	7.6	8.0	9.3	9.5	3.2	3.1	3.3	3.9	3.9	3.8	4.7	6.5
Hong Kong[i]	42.1	47.2	53.0	56.0	59.7	64.6	73.0	84.5	12.3	15.1	18.4	19.5	20.1	20.5	21.4	24.8
India	339.6[d]	375.4[d]	388.4[d]	428.1[d]	455.8[d]	480.1[d]	505.2[d]	...	293.0[e]	332.3[e]	349.7[e]	376.5[e]	401.5[e]	426.4[e]	455.1[e]	...
Indonesia	128.3[e]	143.6[e]	157.5[e]	166.8[e]	179.5[e]	185.0[e]	...	...	91.5	101.1	103.1	103.1	112.5	113.7	...	...
Iran	102.9	107.8	122.1	135.0	142.4	164.2	180.4	...	42.0	43.8	47.0	47.5	49.4	59.7	57.9	...
Japan: Heavy	742.9[b]	1 009.8[b]	1 370.6[b]	1 787.5[b]	2 337.6[b]	3 095.1[b]	4 067.2[b]	5 088.1[j]	1 688.0	2 116.4	2 497.8	2 877.3	3 391.9	4 044.6	4 684.8	5 175.3[j]
Light[k]	146.2	223.8	301.8	393.8	495.6	741.3	1 142.2	1 527.9[j]	856.3	1 172.0	1 470.5	1 765.1	2 086.7	2 404.3	2 722.4	2 919.2[j]
Korea, Republic of	11.1	12.7	14.6	16.3	17.5	23.2	33.1	47.9	19.7	21.6	23.2	25.2	31.6	36.3	47.8	57.3
Laos	4.6	5.2	5.8	6.4	8.1	9.5	10.6	...	1.5	2.0	2.1	2.3	2.6	2.9	3.4	...
Malaysia:																
East Malaysia																
Sabah	5.2	6.1	7.6	8.7	10.6	13.4	15.9	...	3.3	3.8	4.0	4.4	4.9	5.6	5.0	...
Sarawak	5.1	5.8	6.9	8.2	9.6	11.3	13.6	12.9[m]	1.3	1.4	1.6	1.7	2.0	2.3	2.7	2.8[m]
West Malaysia	117.6	129.7	144.2	159.6	174.5	181.1	200.5	219.3	36.8[h]	39.0[h]	42.0[h]	45.6[h]	48.4[h]	50.7[h]	52.9[h]	56.7[h]
Nepal[n]	1.6	1.6	2.5	2.7	3.2	3.6	4.0	...	0.7	0.7	1.1	1.3	1.4	1.5	3.0	...
New Zealand[p]	573.2	604.7	658.9	715.8	749.7	807.5	829.9	858.1	137.9	138.6	144.1	158.7	168.0	166.8	166.2	167.6
Pakistan[d]	85.6	94.4	107.9	122.8	113.2	127.5	139.4	143.2	46.1	47.4	50.9	55.2	56.0	62.1	66.6	68.9
Philippines	100.2	102.3	119.6	136.9	157.5	201.6	232.7	...	89.7	99.3	90.6	129.5	138.5	147.3	173.3	...
Singapore	80.9[d]	89.3[d]	99.0[d]	108.4[d]	117.2[d]	121.5[d]	126.5[d]	135.6[d]	17.4[e,h]	18.8[e,h]	20.1[e,h]	23.0[e,h]	24.9[e,h]	26.8[e,h]	29.3[e,h]	32.7[e,h]
Thailand	49.8	60.3	69.3	67.3	90.9	87.1	...	...	66.4[h]	72.4[h]	84.5[h]	75.7[h]	97.6[h]	132.5[h]	...	...
Viet-Nam, Republic of[d]	29.0	30.6	32.6	34.3	37.9	40.3	45.6	...	26.2	27.1	30.6	33.2	37.3	42.5	45.9	...
Western Samoa	0.6	0.6	0.6	0.6	0.7	0.8	0.8	...	0.7	0.7	0.7	0.7	0.6	0.8	0.5	...

Source: United Nations Statistical Office and national sources.

a. The time of year to which the figures refer is variable. Special purpose vehicles such as: two or three-wheeled cycles and motorcycles, trams, trolley-buses, ambulances, hearses, military vehicles, vehicles operated by police or other governmental security organizations are excluded.

b. *Passenger cars:* motor cars seating less than eight persons (except Japan ten persons and less excluding jeeps) including taxis, jeeps and station wagons.

c. *Commercial vehicles:* including lorries (trucks), buses, tractors, and semitrailer combinations; excluding trailers and farm tractors (except Australia and Japan: including jeeps).

d. Including vehicles operated by police or other governmental security organizations.

e. Including special purpose vehicles.

f. Including jeeps.

g. Accumulated registrations including vehicles no longer in existence.

h. Excluding tractor and semi-trailer combinations (Malaysia: West: tractors only).

i. Excluding governmental vehicles.

j. At the end of October.

k. Including light vehicles with three-wheeled trucks.

m. At the end of September.

n. Data relate to number of cars, lorries, trucks and buses in Kathmandu Valley.

p. Beginning 1964 including government vehicles.

18. VOLUME OF TRAFFIC: RAILWAYS, SEA-BORNE SHIPPING AND CIVIL AVIATION

Monthly averages or calendar months

	1967	1968	1968 I	1968 II	1968 III	1968 IV	1969 I	1969 II	1969 III	1969 Sep	1969 Oct	1969 Nov	1969 Dec
RAILWAYS[a]													
Passenger-kilometres *(millions)*													
Australia♁	...	...	...	...	...	...	...	...	...	...	...	...	...
Burma†	213	191	181	173	194	164	201	176	166	...	...	...	...
Cambodia	12	14	13	14	15	16	15	18	13	11	11	...	...
Ceylon†	213	225	...	232	250	...	...	...	...	...	...	...	...
China (Taiwan)	426	460	469	446	453	480	500	499	489	469	490	486	492
Hong Kong	13	14	15	14	12	14	15	17	14	13	14	14	13
India‡	8 477	8 654	8 547	9 990	7 825	8 225	8 578	9 554	8 939	...	...	...	...
Indonesia	412	...	...	...	...	...	...	...	...	...	...	...	...
Iran	98	121	88	93	181	101	113	...	...	...	...	...	...
Japan	22 225	22 982	22 638	23 236	23 328	22 530	22 179	23 455	23 416	22 179	24 124	22 102	...
Korea, Republic of	798	882	767	932	896	935	913	894	956	956	970	925	...
Malaysia:													
West Malaysia[b]	47	47	48	45	45	48	46	40	43	39	37	...	...
Mongolia	7.07	...	...	...	...	...	...	...	...	...	...	...	...
New Zealand‡	49	45	52	46	44	45	46	43	42	47	41	41	43
Pakistan♁	810	852	858	834	915	775	875	843	814	816	779	731	...
Philippines♁	85	74	85	109	52	52	...	...	...	...	...	...	...
Thailand	306	326	354	354	287	310	360	*442*	...	...	...	...	...
Viet-Nam, Republic of	1.1	1.1	0.9	1.3	1.0	1.1	4.8	6.3	6.1	6.1	5.7	5.8	...
Freight ton-kilometres *(millions)*													
Australia♁	1 569	1 673	1 658	1 678	1 802	1 763	1 712	1 870	*2 113*	...	...	...	...
Burma†[c]	74	66	79	65	63	64	66	61	*56*	...	...	...	...
Cambodia	6	6	7	8	5	3	5	4	8	8	6	...	...
Ceylon†	27	28	26	30	30	*28*	...	...	...	...	...	...	...
China (Taiwan)[c]	212	226	227	221	221	233	239	223	198	180	188	209	223
Hong Kong	1.81	2.43	1.86	1.90	2.49	3.48	1.97	2.14	2.89	3.35	3.30	3.01	2.86
India‡	8 963	9 343	9 711	9 422	8 456	8 737	10 152	9 760	9 610	*10 008*	...	...	...
Indonesia	55	...	...	...	...	...	...	...	...	...	...	...	...
Iran	162	185	180	159	160	186	160	138	...	...	...	...	...
Japan	4 882	5 013	4 855	4 952	4 778	5 412	4 847	4 909	4 868	4 983	5 412	5 435	...
Korea, Republic of	415	556	482	579	570	565	523	600	612	596	646	665	...
Malaysia:													
West Malaysia[b]	90	*91*	93	87	92	*98*	...	...	106	110	110	...	...
Mongolia	87	...	...	...	...	...	...	...	...	...	...	...	...
New Zealand‡	192	219	176	222	218	216	219	221	227	232	244	265	189
Pakistan♁	669	636	775	746	521	658	669	697	610	654	589	527	...
Philippines♁	12	10	11	12	8	8	...	...	...	...	...	...	...
Thailand	167	176	186	173	165	182	173	*164*	...	...	...	...	...
Viet-Nam, Republic of	2.4	1.5	0.9	1.3	1.4	1.9	1.7	3.0	3.4	3.3	4.3	4.8	...
INTERNATIONAL SEA-BORNE SHIPPING													
Freight loaded (L) and unloaded (U) in external trade *(thousand tons)*													
Australia♁ L	2 878	3 619	3 489	3 749	4 301	4 624	4 579	5 556	...	...	...	...	...
U	2 530	2 599	2 496	2 649	2 895	2 749	2 731	2 721	...	...	...	...	...
Brunei L	4	...	...	...	...	...	...	...	...	...	...	...	...
U	17	...	...	...	...	...	...	...	...	...	...	...	...
Burma† L	78	83	47	71	33	33	58	60	*68*	...	...	...	...
U	71	49	66	129	76	82	102	59	*64*	...	...	...	...
Cambodia[d] L	40	42	30	50	44	44	36	40	37	39	41	30	...
U	50	58	56	78	39	60	71	76	66	77	81	66	...
Ceylon L	78	80	71	68	103	78	...	...	...	...	...	...	...
U	198	298	220	163	383	428	...	...	...	...	...	...	...
China (Taiwan) L	304	313	339	350	287	278	255	359	243	259	257	265	348
U	592	725	564	786	747	804	910	935	935	845	1 073	861	1 029
Fiji L	63	...	...	...	...	...	...	...	...	...	...	...	...
U	37	...	...	...	...	...	...	...	...	...	...	...	...
Hong Kong[e] L	218	220	204	210	228	237	224	269	253	254	246	241	273
U	715	751	691	776	714	825	741	769	872	874	852	834	977
Indonesia[f] L	1 775	...	...	*2 377*	*2 236*	...	...	...	...	...	...	...	...
U	142	...	*128*	*227*	*228*	...	...	...	...	...	...	...	...
Iran*[g] L	9 844	*10 343*	8 683	9 493	12 854	...	*12 188*	*11 356*	*10 060*	...	...	...	...
U	192	*220*	226	254	237	164	216	258	*194*	...	...	...	...

18. VOLUME OF TRAFFIC: RAILWAYS, SEA-BORNE SHIPPING AND CIVIL AVIATION (*Cont'd*)

Monthly averages or calendar months

		1967	1968	1968 I	1968 II	1968 III	1968 IV	1969 I	1969 II	1969 III	1969 Sep	1969 Oct	1969 Nov	1969 Dec
INTERNATIONAL SEA-BORNE SHIPPING *(Cont'd)*														
Freight loaded (L) and unloaded (U) in external trade *(thousand tons) (Cont'd)*														
Japan[h]	L	2 258	2 527	1 960	2 618	2 608	2 922	2 660	3 083	3 745	3 854	3 943	2 973	4 310
	U	23 639	26 681	24 683	26 497	26 828	28 716	28 117	29 337	31 800	32 060	34 626	38 648	34 550
Korea, Republic of	L	149	188	115	104	91	*99*	138	172	263	192	192	290	299
	U	811	1 128	801	755	750	*987*	1 077	1 124	1 420	1 229	1 104	1 411	1 670
Malaysia:														
East Malaysia:														
Sabah	L	293	294	...	...	...	...	...	...	...	...	...	...	...
	U	61	56	...	...	...	...	...	...	...	...	...	...	...
Sarawak[i]	L	532	586	590	578	554	620	597	613	647	674	680	676	656
	U	43	36	33	38	36	38	33	34	43	43	51	38	39
West Malaysia	L	743	803	563	944	1 062	640	523	1 042	1 126	1 140	1 220	490	403
	U	602	668	682	649	670	671	594	713	669	657	736	615	642
New Zealand	L	248	335	374	335	347	283	394	417	387	376	374	...	...
	U	586	619	569	571	664	670	532	550	729	752	742	...	...
Pakistanϕ	L	192	207	230	184	260	250	174	184	229	237	350	286	325
	U	864	790	816	810	743	891	763	628	649	578	760	709	862
Philippines	L	988	1 118	970	*1 156*	*1 005*	*1 197*	...	...	...	...	...	...	...
	U	866	981	871	*986*	*1 006*	*1 049*	...	...	...	...	...	...	...
Singapore	L	1 011	1 182	1 148	1 187	1 160	1 234	1 267	1 270	1 265	1 323	1 476	1 324	1 376
	U	1 558	1 835	1 742	1 864	1 875	1 862	1 816	1 764	1 952	2 103	2 093	2 118	2 132
Thailand[j]	L	435	*348*	386	328	281	479	405	254	...	...	...	...	...
	U	670	*649*	631	684	623	674	632	769	...	...	...	...	...
Viet-Nam (Saigon)	L	22	21	...	...	...	...	...	...	...	...	...	...	...
	U	646	607	...	...	...	...	...	...	...	...	...	...	...
Western Samoa	L	1.7	2.0	...	...	...	...	...	...	...	...	...	...	...
	U	3.8	3.9	...	...	...	...	...	...	...	...	...	...	...
Entrances (E) and clearances (C) of vessels with cargo in external trade *(thousand net registered tons)*														
India	E	1 447	1 353	1 437	1 491	1 285	1 192	1 322	1 187	1 474	1 354	1 063	1 335	1 092
	C	1 169	1 240	1 265	1 285	1 114	1 298	1 562	1 327	1 334	1 280	955	1 830	1 031
Vietnam (Saigon)	E	60	64	43	64	67	84	77	95	92	98	70	75	...
	C	599	494	450	456	501	569	565	612	583	585	555	500	...
CIVIL AVIATION[k]														
Passenger-kilometres *(millions)*														
Australia		538.27	608.00	556.00	534.00	671.00	671.00	302.00	288.00	*276.00*	...	...	...	...
Burma		6.25	8.21	7.84	8.63	7.46	8.92	9.41	9.94	7.90	8.40	...	...	...
Cambodia		4.14	4.24	4.14	3.88	4.12	4.82	4.35	5.81	*7.10*	...	...	...	...
Ceylon		8.79	8.09	8.63	6.86	8.38	8.50	8.59	5.82	9.08	12.17	9.01	...	...
China (Taiwan)		23.94	29.00	28.80	28.22	27.35	26.90	26.20	29.30	34.40	32.70	...	...	...
India		209.55	239.00	212.23	233.00	250.00	255.00	245.00	269.00	279.00	279.00	284.00	277.00	294.00
Indonesia		40.86	48.10	44.26	44.30	35.70	*33.90*	34.30	28.70	*28.40*	...	...	...	...
Iran		32.32	...	...	...	...	...	...	...	...	...	...	...	...
Japan[m]		550.00	678.00	375.00	506.55	578.00	535.00	763.00	786.00	779.00	709.00	...	...	...
Malaysia[b,n]		42.50	56.20	44.11	49.22	59.80	71.70	74.50	76.30	82.60	78.70	93.00	99.10	...
New Zealand		95.05	105.50	109.92	97.46	98.40	116.30	134.40	*90.50*	...	...	...	...	...
Pakistan		112.53	121.60	118.39	113.51	123.50	131.10	130.50	128.20	139.50	145.30	152.70	142.00	...
Philippines		86.80	93.40	...	...	...	...	...	...	...	...	...	...	...
Thailand		30.55	38.50	31.00	39.60	40.10	43.40	33.90	47.60	47.60	44.60	50.40	...	...
Viet-Nam, Republic of		31.44	39.60	30.44	35.05	45.80	47.00	51.10	54.80	55.40	53.40	53.40	...	...
Freight ton-kilometres *(thousands)*														
Australia		15 912	18 100	15 065	17 295	20 000	20 000	12 513	13 466	*11 465*	...	...	...	...
Burma		106	143	124	127	168	154	139	134	167	165	...	...	...
Cambodia		128	96	88	87	65	110	67	65	*46*	...	...	...	...
Ceylon		203	242	241	191	259	275	266	181	192	202	208	...	...
China (Taiwan)		328	376	371	295	351	394	374	555	595	631	...	...	...
India		7 488	8 197	7 554	7 867	7 544	9 110	9 656	9 627	9 556	9 104	9 548	9 431	10 030
Indonesia		1 103	1 086	1 024	1 024	1 029	1 267	794	473	*442*	...	...	...	...
Iran		286	...	...	...	...	...	...	...	...	...	...	...	...
Japan[m]		16 583	21 914	15 406	18 966	18 109	25 652	25 771	30 267	31 327	30 764	...	...	...
Malaysia[b,n]		491	856	585	742	944	1 098	1 181	1 366	1 581	1 606	1 714	1 723	...
New Zealand		2 037	2 841	2 487	2 881	2 822	3 007	3 099	*2 178*	...	...	...	...	...
Pakistan		4 746	5 264	5 102	5 191	5 208	5 697	5 070	9 357	6 179	6 238	6 382	6 503	...
Philippines		2 056	2 255	2 300	2 300	2 210	2 210	...	...	...	...	...	...	...
Thailand		367	495	382	467	521	607	630	611	503	445	413	...	...
Viet-Nam, Republic of		291	336	244	303	378	422	450	425	455	440	495	...	...

a. Railway traffic coverage: China (Taiwan), Taiwan Railway Administration; India and Pakistan, class I railways; Philippines, Manila Railroad Company.
b. Including Singapore.
c. Including service traffic.
d. Port of Phnom Penh and Sihanoukville.
e. Including transhipments.
f. Excluding re-exports, transit traffic and packing.
g. Caspian Sea traffic included. Including imports and exports other than by sea.
h. Including goods imported and exported other than by sea.
i. Including mail, passengers' baggage, bullion and specie.
j. Annual data cover all ports. Monthly data relate to the port of Bangkok only.
k. Scheduled domestic and international routes.
m. Monthly data, JAL only.
n. Data relate to operations of Malaysia-Singapore Airlines Limited (MAS).

EXTERNAL TRADE

19. VALUE OF IMPORTS AND EXPORTS AND BALANCE OF TRADE

Monthly averages or calendar months

	1967	1968	1968 I	1968 II	1968 III	1968 IV	1969 I	1969 II	1969 III	1969 Sep	1969 Oct	1969 Nov	1969 Dec
AFGHANISTAN* *(million Afghanis)*													
Imports	871	772	...	...	...	...	...	...	...	...	...	...	...
Exports	418	446	...	...	...	...	...	...	...	...	...	...	...
Balance	−453	−326	...	...	...	...	...	...	...	...	...	...	...
AUSTRALIA *(million Australian dollars)*													
Imports[a]	250.3	267.9	279.1	278.2	299.3	291.3	267.4	283.0	313.9	315.2	347.5	307.1	306.0
Exports	244.6	244.6	228.8	257.9	249.0	277.5	267.5	287.0	323.0	308.4	356.2	312.4	313.2
Balance	− 5.7	−23.3	−50.3	−20.3	−50.3	−13.8	+ 0.1	+ 4.0	+ 9.1	− 6.8	+ 8.7	+ 5.3	+ 7.2
BRUNEI *(million Malaysian dollars)*													
Imports	10.9	17.2	...	...	...	...	...	...	...	...	...	...	...
Exports	20.7	22.8	...	...	...	...	...	...	...	...	...	...	...
Balance	+ 9.8	+ 5.6	...	...	...	...	...	...	...	...	...	...	...
BURMA *(million kyats)*													
Imports	52.0	55.2	64.0	...	...	48.5	30.0	31.2	...	...	...	...	...
Exports	48.8	44.0	37.7	73.7	32.4	32.0	41.2	44.4	...	...	...	...	...
Balance	− 3.2	−11.2	−26.3	...	...	−16.5	+11.2	+13.2	...	...	...	...	...
CAMBODIA *(million riels)*													
Imports	280	337	374	372	286	316	344	...	...	...	...	...	...
Exports	242	258	185	294	297	256	186	...	...	...	...	...	...
Balance	− 38	− 79	−189	− 78	+ 11	− 60	−158	...	...	...	...	...	...
CEYLON *(million rupees)*													
Imports	145[b]	181	199	177	182	167	183	202	257	205	257	195	165
Exports	141[b]	170	157	131	214	177	168	163	163	166	167	172	76
Balance	− 4[b]	− 11	− 42	− 46	+ 32	+ 10	− 15	− 39	− 94	− 39	− 90	− 23	− 89
CHINA (Taiwan) *(million New Taiwan dollars)*													
Imports	2 673	2 982	2 392	2 668	2 868	4 002	3 040	4 251	3 502	3 291	4 578	3 988	7 385
Exports	2 136	2 674	2 156	3 008	2 597	2 935	2 548	3 316	3 762	3 687	3 615	3 593	5 889
Balance	−537	−308	−236	+340	−271	−1 067	−492	−935	+260	+396	−963	−395	−1 496
AID imports	141	36	23	37	32	53	16	38	34	75	8	7	18
FIJI *(million Fiji dollars)*													
Imports	4.69	5.70	4.63	6.32	5.93	5.92	5.81	6.46	...	...	...	...	...
Exports[c]	3.56	4.09	2.19	2.00	5.80	6.39	2.80	4.28	...	...	...	...	...
Balance	−1.13	−1.61	−2.44	−4.32	− .13	+ .47	−3.01	−2.18	...	...	...	...	...
HONG KONG *(million Hong Kong dollars)*													
Imports	871	1 039	919	1 005	1 047	1 186	1 025	1 206	1 262	1 309	1 435	1 468	1 512
Exports	732	881	712	841	938	1 033	903	1 016	1 182	1 322	1 349	1 354	1 191
Balance	−139	−158	−207	−164	−109	−153	−122	−190	− 80	+ 13	− 86	−114	−321
Domestic exports	558	702	559	663	759	829	716	816	940	1 069	1 092	1 085	925
INDIA *(million rupees)*													
Imports	1 755	1 569	1 685	1 735	1 460	1 394	1 365	1 179	1 400	1 397	1 290	1 060	1 151
Exports	1 008	1 096	988	1 027	1 215	1 156	1 118	1 163	1 165	1 196	1 181	1 053	1 183
Balance	−747	−473	−697	−708	−245	−238	−247	− 16	−235	−201	−109	− 7	− 32
INDONESIA *(million new rupiahs)*													
Imports	541	596	468	635	...	...	532	471	636	...	———	684	———
Exports	554	574	514	599	582	601	569	604	644	...	———	657	———
Balance	+ 13	− 22	+ 46	− 36	...	...	+ 37	+133	+ 8	...	———	−27	———
IRAN[d] *(billion rials)*													
Imports	7.10	8.75	9.14	8.42	9.41	8.05	9.71	8.80	8.26	...	...	...	...
Exports	12.18	11.86	10.32	9.88	13.55	13.71	13.45	12.30	13.86	...	...	...	...
Balance	+5.07	+3.11	+1.18	+1.46	+4.14	+5.66	+3.74	+3.50	+5.60	...	...	...	...
JAPAN *(billion yen)*													
Imports	349.9	389.6	374.2	390.5	380.3	413.4	410.6	432.0	466.0	478.5	501.2	473.4	508.5
Exports	313.2	389.2	313.1	380.2	406.4	456.9	402.6	465.3	509.6	520.1	512.7	494.4	635.7
Balance	−36.7	− 0.4	−61.1	−10.3	+26.1	+43.5	− 8.0	+33.3	+43.6	+41.6	+11.5	+21.0	+127.2
KOREA, Republic of *(million U.S. dollars)*													
Imports	83.0	121.9	97.2	118.1	116.5	155.8	114.8	147.0	174.6	161.2	129.2	178.4	206.7
Exports	26.7	38.0	27.8	39.7	39.0	45.4	36.3	55.1	52.3	48.8	51.1	53.7	86.4
Balance	−56.3	−83.9	−69.4	−78.4	−77.5	−110.4	−78.5	−91.9	−122.3	−112.4	−78.1	−124.7	−120.3
LAOS *(million kips)*													
Imports	983	1 073	957	988	991	1 357	1 319	...	...	...	...	...	...
Exports	89	121	135	105	118	125	91	...	...	...	...	...	...
Balance	−894	−952	−822	−883	−873	−1 232	−1 228	...	...	...	...	...	...

19. VALUE OF IMPORTS AND EXPORTS AND BALANCE OF TRADE (*Cont'd*)

Monthly averages or calendar months

	1967	1968	1968 I	1968 II	1968 III	1968 IV	1969 I	1969 II	1969 III	1969 Sep	1969 Oct	1969 Nov	1969 Dec
MALAYSIA[e] *(million Malaysian dollars)*													
EAST MALAYSIA													
SABAH													
Imports	27.4	28.7	25.0	29.2	29.2	31.2	30.4	32.9	38.2	35.9	40.8	34.6	38.8
Exports	34.1	36.1	29.3	38.7	36.0	40.4	34.8	44.0	50.6	47.8	44.7	44.6	43.6
Balance	+ 6.7	+ 7.4	+ 4.3	+ 9.5	+ 6.8	+ 9.2	+ 4.4	+11.1	+12.4	+11.9	+ 3.9	+10.0	+ 4.8
SARAWAK													
Imports	44.7	47.9	45.3	49.0	48.3	49.0	46.4	46.1	50.0	64.2	...	...	...
Exports	41.9	50.4	44.4	51.7	51.5	53.8	50.4	54.6	57.7	67.7	...	...	...
Balance	− 2.8	+ 2.5	− 0.9	+ 2.7	+ 3.2	+ 4.8	+ 4.0	+ 8.5	+ 7.7	+ 3.5	...	...	...
WEST MALAYSIA[f]													
Imports	215	231	218	226	239	241	208	216	239	245	260	...	...
Exports	242	267	239	251	287	292	305	301	389	376	394	...	...
Balance	+ 27	+ 36	+ 21	+ 25	+ 48	+ 51	+ 97	+ 85	+150	+131	+134	...	...
NEW ZEALAND *(million New Zealand dollars)*													
Imports	58.0	66.6	61.1	58.4	73.2	73.7	67.2	69.1	85.8	92.4	84.4	68.8	75.9
Exports	60.4	75.1	79.3	82.7	64.0	74.6	98.7	91.9	83.2	85.0	75.1	93.4	91.2
Balance	+ 2.4	+ 8.5	+18.2	+24.3	− 9.2	+ 0.9	+31.5	+22.8	− 2.6	− 7.4	− 9.3	+24.6	+15.3
PAKISTAN *(million rupees)*													
Imports	437	395	392	379	418	393	393	427	409	351	396	318	431
Exports	256	286	307	285	269	282	298	253	236	269	265	324	295
Balance	−181	−109	− 85	− 94	−149	−111	− 95	−174	−173	− 82	−131	+ 6	−136
PHILIPPINES *(million U.S. dollars)*													
Imports	97.6	106.6	100.5	103.0	117.4	105.6	102.7	107.2	106.8	104.5	108.1	91.2	104.7
Exports	68.5	70.7	66.6	80.0	66.7	69.4	68.5	75.1	73.8	82.4	68.5	81.3	59.3
Balance	−29.1	−35.9	−33.9	−23.0	−50.7	−36.2	−34.2	−32.1	−33.0	−22.1	−39.6	− 9.9	−43.4
SINGAPORE[g] *(million Singapore dollars)*													
Imports	367	424	396	434	434	430	465	490	542	585	608	555	588
Exports	291	324	290	318	338	351	360	379	414	419	449	414	419
Balance	− 76	−100	−106	−116	− 96	− 79	−105	−111	−128	−166	−156	−141	−169
THAILAND[h] *(million baht)*													
Imports	1 837	1 994	1 931	1 960	1 995	2 060	2 074	2 105	...	...	...	...	...
Exports	1 179	1 140	1 138	1 062	1 011	1 326	1 347	1 073	...	...	...	...	...
Balance	−658	−854	−793	−898	−984	−734	−727	−1 032	...	...	...	...	...
VIET-NAM, Republic of *(million piastres)*													
Imports	3 587	3 108	2 239	2 207	2 668	5 316	5 430	4 366	4 414	3 383	...	...	...
Exports	109	78	78	55	90	89	91	48	86	73	...	...	...
Balance	−3 478	−3 030	−2 161	−2 152	−2 578	−5.227	−5 339	−4 318	−4 328	−3 310	...	...	...
WESTERN SAMOA *(thousand tala)*													
Imports[i]	470	454	367	424	470	552	...	...	...	...	...	...	...
Exports	262	320	287	292	245	456	...	...	...	...	...	...	...
Balance	−208	−134	− 80	−132	−225	− 96	...	...	...	...	...	...	...

GENERAL NOTE: Special trade system for Brunei, Cambodia, China (Taiwan), Indonesia, Iran, Laos, Republic of Korea, Malaysia (East) and the Republic of Viet-Nam; general trade for other countries. Figures on imports includes aid unless otherwise specified, all external trade statistics are based on national customs returns.

a. Imports valued f.o.b.

b. New par value of rupee changed in 21 November 1967 from 4.76190 rupees to 5.95237 rupees per US dollar.

c. Exports excluding the value of Sugar Reference Certificates.

d. The data shown are suitable for comparison with domestic transactions; including exports of the National Oil Company of Iran. Twelve months ending 20 December of the year stated.

e. Including inter-trade between the three states.

f. Excluding ships, aircrafts and military weapons imported by government.

g. Excluding trade with Indonesia. Beginning 1968, excluding transhipments to and from West Malaysia.

h. Excluding gold, military aid goods and monetary items.

i. Import values are f.o.b. values in the country of export plus 10%.

20. DIRECTION OF INTERNATIONAL TRADE

Quarterly averages or quarters

Million US dollars

Imports from or Exports to		1965	1966	1967	1968	1968 I	1968 II	1968 III	1968 IV	1969 I	1969 II	1969 III
AFGHANISTAN												
All countries	Imp.	32.8	19.4	16.0	...	...	...	...	...	...	...	...
	Exp.	17.6	17.8	12.5	...	...	...	...	...	...	...	...
ECAFE countries[a]	Imp.	4.3	10.2	8.7	...	...	...	...	...	...	...	...
	Exp.	3.6	3.8	5.5	...	...	...	...	...	...	...	...
Developing ECAFE countries	Imp.	2.2	7.3	5.9	...	...	...	...	...	...	...	...
	Exp.	3.6	3.8	5.5	...	...	...	...	...	...	...	...
Japan	Imp.	2.0	3.0	2.8	...	...	...	...	...	...	...	...
	Exp.	—	—	—	...	...	...	...	...	...	...	...
Western Europe (including UK)	Imp.	5.5	5.1	4.5	...	...	...	...	...	...	...	...
	Exp.	4.4	3.7	5.7	...	...	...	...	...	...	...	...
UK	Imp.	1.2	1.0	0.7	...	...	...	...	...	...	...	...
	Exp.	3.1	2.8	1.9	...	...	...	...	...	...	...	...
USSR and Eastern Europe	Imp.	16.2	—	—	...	...	...	...	...	...	...	...
	Exp.	4.7	6.5	—	...	...	...	...	...	...	...	...
North America	Imp.	5.0	3.8	2.5	...	...	...	...	...	...	...	...
	Exp.	2.8	1.4	1.2	...	...	...	...	...	...	...	...
US	Imp.	5.0	3.8	2.5	...	...	...	...	...	...	...	...
	Exp.	2.8	1.4	1.2	...	...	...	...	...	...	...	...
South America	Imp.	—	—	—	...	...	...	...	...	...	...	...
	Exp.	—	—	—	...	...	...	...	...	...	...	...
Middle East and Africa	Imp.	—	—	—	...	...	...	...	...	...	...	...
	Exp.	—	—	—	...	...	...	...	...	...	...	...
AUSTRALIA[b]												
All countries	Imp.	830.9	811.2	877.0	977.5	948.6	953.2	1 016.1	992.1	899.7	—	—
	Exp.	753.5	793.1	875.0	881.7	799.1	895.9	864.9	967.4	947.7	996.8	1 140.8
ECAFE countries[a]	Imp.	159.9	161.2	182.8	205.0	190.6	187.8	216.0	225.5	216.6	—	—
	Exp.	295.4	316.6	397.3	381.6	349.1	383.8	388.3	405.0	418.9	460.1	563.3
Developing ECAFE countries	Imp.	79.6	73.1	77.0	79.3	75.5	72.5	83.8	85.4	72.8	—	—
	Exp.	124.5	120.4	176.4	137.6	134.3	148.7	138.1	129.1	127.1	133.5	166.9
Japan	Imp.	82.2	75.3	90.8	105.8	96.7	96.6	110.8	119.3	116.1	—	—
	Exp.	123.8	146.5	175.6	200.0	177.9	192.2	200.3	229.7	241.2	252.6	289.2
Western Europe (including UK)	Imp.	369.6	343.9	351.4	382.3	404.0	375.1	396.9	353.0	356.2	—	—
	Exp.	258.6	259.4	236.1	244.7	230.8	259.6	211.2	277.3	290.6	254.2	243.1
UK	Imp.	223.0	201.1	196.1	216.0	243.9	198.7	228.9	192.4	192.7	—	—
	Exp.	131.2	122.6	111.3	125.2	120.2	140.3	111.5	128.9	123.5	112.7	115.9
USSR and Eastern Europe	Imp.	3.9	3.4	3.7	5.0	4.7	4.4	5.0	5.8	6.5	—	—
	Exp.	34.5	20.8	19.6	24.0	24.6	22.9	14.3	34.3	28.5	12.2	6.7
North America	Imp.	231.9	236.2	262.3	305.7	279.1	296.2	318.7	328.6	240.1	—	—
	Exp.	100.5	124.2	126.4	150.4	127.0	146.0	164.3	164.3	129.7	183.8	219.3
US	Imp.	196.4	205.6	225.0	258.2	232.7	249.3	263.0	287.8	199.2	—	—
	Exp.	81.8	103.0	103.7	125.4	104.4	122.6	136.7	137.9	107.2	155.7	186.1
South America	Imp.	3.0	1.8	2.0	4.1	2.2	9.6	1.9	2.7	3.1	—	—
	Exp.	2.4	2.7	9.0	4.8	3.8	6.4	4.4	4.6	8.0	5.4	11.6
Middle East and Africa	Imp.	46.4	47.6	51.4	50.4	47.0	55.7	48.6	50.1	51.0	—	—
	Exp.	24.6	27.6	40.4	29.6	25.2	28.0	31.4	33.9	29.4	30.8	34.7
BRUNEI												
All countries	Imp.	9.3	12.8	11.2	17.1	...	...	...	...	...	...	...
	Exp.	16.3	18.4	20.3	23.0	...	...	...	...	...	...	...
ECAFE countries[a]	Imp.	4.0	5.4	5.8	7.9	...	...	...	...	...	...	...
	Exp.	16.3	18.4	20.1	22.9	...	...	...	...	...	...	...
Developing ECAFE countries	Imp.	2.9	3.8	3.9	5.0	...	...	...	...	...	...	...
	Exp.	16.2	18.3	20.1	22.9	...	...	...	...	...	...	...
Japan	Imp.	0.8	1.1	0.8	1.8	...	...	...	...	...	...	...
	Exp.	—	—	—	—	...	...	...	...	...	...	...
Western Europe (including UK)	Imp.	3.5	5.7	4.0	5.9	...	...	...	...	...	...	...
	Exp.	—	0.1	0.1	0.1	...	...	...	...	...	...	...
UK	Imp.	2.7	3.8	3.2	4.4	...	...	...	...	...	...	...
	Exp.	—	—	0.1	0.1	...	...	...	...	...	...	...
USSR and Eastern Europe	Imp.	0.1	0.1	—	—	...	...	...	...	...	...	...
	Exp.	—	—	—	—	...	...	...	...	...	...	...
North America	Imp.	1.6	1.4	1.1	3.0	...	...	...	...	...	...	...
	Exp.	—	—	0.1	—	...	...	...	...	...	...	...
US	Imp.	1.5	1.4	1.0	2.8	...	...	...	...	...	...	...
	Exp.	—	—	0.1	—	...	...	...	...	...	...	...
South America	Imp.	—	—	—	—	...	...	...	...	...	...	...
	Exp.	—	—	—	—	...	...	...	...	...	...	...
Middle East and Africa	Imp.	—	—	—	—	...	...	...	...	...	...	...
	Exp.	—	—	—	—	...	...	...	...	...	...	...

20. DIRECTION OF INTERNATIONAL TRADE (*Cont'd*)

Quarterly averages or quarters

Million US dollars

Imports from or Exports to		1965	1966	1967	1968	1968 I	1968 II	1968 III	1968 IV	1969 I	1969 II	1969 III
URMA												
All countries	Imp.	61.8	39.5	30.5	26.7	21.0	27.9	31.7	26.1	...	...	...
	Exp.	56.2	47.2	31.4	27.8	23.8	46.8	19.7	20.7	...	...	...
ECAFE countries[a]	Imp.	36.5	19.4	13.9	9.5	5.9	13.2	12.5	6.3	...	...	...
	Exp.	38.2	30.8	18.1	15.1	12.4	30.9	8.0	9.1	...	...	...
Developing ECAFE countries	Imp.	16.7	8.6	8.0	2.2	1.2	3.1	3.2	1.3	...	...	...
	Exp.	32.7	27.5	15.9	12.6	11.0	26.3	5.8	7.4	...	...	...
Japan	Imp.	17.9	9.0	4.3	6.3	4.4	8.1	8.8	3.9	...	...	...
	Exp.	5.5	3.3	2.2	2.5	1.4	4.6	2.2	1.7	...	...	...
Western Europe (including UK)	Imp.	14.8	11.9	8.9	12.4	10.2	11.3	15.0	13.2	...	...	...
	Exp.	10.5	10.4	8.7	9.2	8.5	10.3	9.0	9.0	...	...	...
UK	Imp.	5.5	4.9	3.5	3.9	4.4	2.2	4.1	4.8	...	...	...
	Exp.	3.2	3.2	1.8	2.1	2.0	2.0	2.4	1.8	...	...	...
USSR and Eastern Europe	Imp.	5.6	3.6	3.0	3.2	2.8	2.0	3.0	5.1	...	...	...
	Exp.	4.4	1.3	1.4	0.9	0.4	2.3	0.3	0.7	...	...	...
North America	Imp.	4.3	4.2	4.6	1.3	1.8	1.4	1.0	1.0	...	...	...
	Exp.	0.3	0.6	0.2	0.1	0.1	0.3	—	—	...	...	...
US	Imp.	4.2	4.2	4.6	1.3	1.6	1.4	1.0	1.0	...	...	...
	Exp.	0.2	0.5	0.2	0.1	0.1	0.3	—	—	...	...	...
South America	Imp.	—	—	—	—	—	—	—	—	...	...	...
	Exp.	—	—	—	—	—	—	—	—	...	...	...
Middle East and Africa	Imp.	0.3	0.4	—	—	—	0.1	0.1	—	...	...	...
	Exp.	2.6	2.9	2.3	2.2	2.1	2.9	1.8	1.8	...	...	...
CAMBODIA												
All countries	Imp.	25.8	*27.8*	*24.0*	28.9	31.9	...	...	42.2	...	...	...
	Exp.	26.3	*16.8*	*28.8*	22.1	16.0	...	...	18.7	...	...	...
ECAFE countries[a]	Imp.	11.9	*12.5*	*11.4*	13.7	15.1	...	...	23.0	...	...	...
	Exp.	11.8	*7.7*	*11.4*	12.1	9.2	...	...	10.2	...	...	...
Developing ECAFE countries	Imp.	7.5	*8.6*	*7.7*	6.0	5.8	...	...	11.9	...	...	...
	Exp.	10.5	*6.4*	*10.7*	8.9	7.3	...	...	5.1	...	...	...
Japan	Imp.	4.4	*3.8*	*3.6*	5.9	7.1	...	...	13.0	...	...	...
	Exp.	1.4	*1.2*	*0.7*	0.8	0.7	...	...	0.9	...	...	...
Western Europe (including UK)	Imp.	9.3	*11.3*	*10.6*	12.8	14.7	...	...	15.9	...	...	...
	Exp.	7.4	*4.8*	*4.3*	4.4	3.0	...	...	6.1	...	...	...
UK	Imp.	1.3	*1.1*	*1.1*	1.0	0.7	...	...	0.1	...	...	...
	Exp.	0.5	*0.4*	*0.7*	0.5	0.5	...	...	0.2	...	...	...
USSR and Eastern Europe	Imp.	3.7	*3.2*	*1.4*	1.1	1.0	...	...	1.2	...	...	...
	Exp.	2.0	*1.2*	*1.1*	1.6	1.2	...	...	1.4	...	...	...
North America	Imp.	0.8	*0.7*	*0.7*	1.1	0.8	...	...	1.4	...	...	...
	Exp.	0.8	*0.4*	*0.6*	0.6	0.2	...	...	0.6	...	...	...
US	Imp.	0.8	*0.7*	*0.6*	0.9	0.8	...	...	0.8	...	...	...
	Exp.	0.8	*0.4*	*0.6*	0.6	0.2	...	...	0.6	...	...	...
South America	Imp.	—	—	—	—	—	...	...	—	...	...	...
	Exp.	—	—	—	—	—	...	...	—	...	...	...
Middle East and Africa	Imp.	—	*0.1*	—	0.2	—	...	...	0.6	...	...	...
	Exp.	4.2	*2.8*	*3.3*	0.3	2.4	...	...	11.8	...	...	...
CEYLON												
All countries	Imp.	77.5	106.5	89.9	91.2	100.0	91.6	89.7	83.6	— 97.0 —		...
	Exp.	102.4	88.0	84.2	82.9	76.5	63.1	105.5	86.6	— 83.2 —		...
ECAFE countries[a]	Imp.	34.2	51.2	38.1	39.1	46.5	40.0	39.8	30.0	— 41.9 —		...
	Exp.	23.6	21.2	19.7	19.7	19.8	12.6	25.4	20.8	— 20.5 —		...
Developing ECAFE countries	Imp.	23.2	39.2	27.1	18.4	34.0	30.7	29.8	13.6	— 18.7 —		...
	Exp.	14.1	13.3	10.9	3.3	12.4	6.1	13.8	4.5	— 3.5 —		...
Japan	Imp.	5.8	6.6	5.0	4.9	5.8	4.0	4.4	5.4	— 6.8 —		...
	Exp.	2.0	2.2	2.2	2.3	2.9	1.5	3.0	1.8	— 1.8 —		...
Western Europe (including UK)	Imp.	24.8	30.8	29.6	27.5	28.9	20.0	25.7	29.9	— 28.4 —		...
	Exp.	37.7	30.6	33.2	32.2	30.5	24.7	39.1	30.4	— 27.0 —		...
UK	Imp.	13.9	17.9	14.2	13.4	15.2	10.4	13.5	14.5	— 14.5 —		...
	Exp.	26.5	21.8	24.4	20.5	21.0	16.1	28.0	17.0	— 19.2 —		...
USSR and Eastern Europe	Imp.	8.4	10.4	8.1	7.4	4.4	10.6	7.0	7.4	— 4.4 —		...
	Exp.	8.1	7.1	5.0	6.5	3.4	5.0	8.0	6.5	— 8.4 —		...
North America	Imp.	3.4	5.4	6.4	9.0	12.5	6.4	9.7	9.0	— 10.0 —		...
	Exp.	11.7	10.2	10.7	9.2	8.7	8.7	10.1	9.2	— 9.5 —		...
US	Imp.	3.0	4.2	5.5	7.2	11.0	4.9	5.7	7.2	— 8.7 —		...
	Exp.	7.7	7.1	7.2	5.9	5.8	5.3	6.7	5.9	— 6.6 —		...
South America	Imp.	—	—	—	—	—	—	—	—	— — —		...
	Exp.	—	—	—	—	—	—	—	—	— — —		...
Middle East and Africa	Imp.	1.5	1.0	2.0	1.8	2.6	0.8	0.8	1.8	— 1.6 —		...
	Exp.	5.8	4.6	5.7	5.6	4.8	3.8	7.5	5.6	— 7.4 —		...

20. DIRECTION OF INTERNATIONAL TRADE (*Cont'd*)

Quarterly averages or quarters

Million US dollars

Imports from or Exports to		1965	1966	1967	1968	1968 I	1968 II	1968 III	1968 IV	1969 I	1969 II	1969 III
CHINA (Taiwan)												
All countries	Imp.	139.2	154.0	200.4	223.9	178.4	200.2	215.4	301.4	226.2	319.0	...
	Exp.	112.4	132.8	158.2	197.6	159.8	222.4	191.5	216.8	187.9	245.0	...
ECAFE countries[a]	Imp.	68.8	81.2	104.3	118.3	102.1	109.8	109.3	151.8	140.9	164.2	...
	Exp.	68.7	80.7	84.9	89.3	73.0	108.6	83.5	92.0	74.7	114.8	...
Developing ECAFE countries	Imp.	9.8	12.5	16.3	22.9	19.6	18.8	21.0	32.0	24.9	29.2	...
	Exp.	32.4	46.8	54.9	54.5	49.4	57.5	50.5	60.4	52.2	63.1	...
Japan	Imp.	56.0	63.3	84.7	90.4	78.4	86.2	83.7	113.3	107.9	124.2	...
	Exp.	35.0	32.4	28.1	31.9	21.1	48.8	29.7	28.0	19.7	48.6	...
Western Europe (including UK)	Imp.	11.4	13.6	18.3	21.7	16.8	14.3	22.3	33.5	22.9	27.2	...
	Exp.	11.4	12.8	17.3	17.7	18.5	17.6	16.2	18.5	19.5	21.3	...
UK	Imp.	2.2	2.5	2.7	4.0	3.7	2.8	4.0	5.3	4.3	4.0	...
	Exp.	0.8	1.1	1.3	1.7	1.6	1.3	1.8	2.0	1.6	1.9	...
USSR and Eastern Europe	Imp.	—	—	—	—	—	—	—	—	—	—	...
	Exp.	—	—	—	—	—	—	—	—	—	—	...
North America	Imp.	48.6	45.6	67.1	66.8	53.5	69.8	66.2	77.8	57.5	95.9	...
	Exp.	27.2	33.4	48.8	82.7	61.4	90.5	85.5	93.2	86.1	100.9	...
US	Imp.	44.7	41.1	62.1	59.8	46.3	63.1	60.9	69.0	48.3	89.9	...
	Exp.	24.8	29.6	42.4	71.2	54.3	72.8	74.4	83.4	76.5	90.8	...
South America	Imp.	1.5	1.0	0.7	0.6	0.5	0.4	0.6	1.0	1.4	1.8	...
	Exp.	—	—	—	0.3	—	0.1	—	0.9	—	—	...
Middle East and Africa	Imp.	7.5	12.0	8.5	14.7	3.5	4.2	14.5	36.4	2.5	29.2	...
	Exp.	3.7	4.5	4.8	5.5	4.1	3.2	4.6	10.1	5.1	6.3	...
FIJI												
All countries	Imp.	18.3	15.9	17.2	18.9	15.8	20.5	19.4	19.7	20.0	21.8	24.1
	Exp.	13.5	12.0	13.1	13.4	7.2	6.4	19.1	21.0	9.8	14.4	18.4
ECAFE countries[a]	Imp.	11.6	10.3	11.4	12.3	9.6	14.1	12.2	13.2	12.7	14.7	16.6
	Exp.	3.0	2.4	3.3	3.4	2.2	1.9	3.6	5.8	3.0	3.4	3.2
Developing ECAFE countries	Imp.	2.8	2.6	2.9	2.7	2.2	2.7	2.5	3.2	2.7	3.4	4.5
	Exp.	0.5	0.4	0.4	0.5	0.1	0.2	0.3	1.5	0.2	0.3	0.4
Japan	Imp.	2.2	2.2	2.7	2.5	1.9	3.1	2.3	2.8	2.8	3.2	3.2
	Exp.	0.4	0.2	0.6	0.6	0.1	0.2	0.6	1.4	1.0	0.2	0.3
Western Europe (including UK)	Imp.	4.8	4.1	3.9	4.9	4.7	5.1	5.2	4.7	4.8	5.3	5.6
	Exp.	5.9	5.5	5.4	5.3	1.9	1.2	8.5	9.4	3.3	2.9	9.8
UK	Imp.	4.2	3.2	3.1	4.2	4.0	4.4	4.4	4.1	4.0	4.4	4.3
	Exp.	5.5	5.3	5.4	5.2	1.8	1.2	8.3	9.3	3.2	2.8	9.6
USSR and Eastern Europe	Imp.	—	—	—	—	—	—	—	—	—	—	—
	Exp.	—	0.1	—	0.1	—	—	0.4	—	—	—	—
North America	Imp.	1.3	1.2	1.4	1.3	1.0	1.3	1.7	1.2	1.4	1.1	1.3
	Exp.	2.8	2.3	2.5	2.7	1.0	1.1	5.2	3.6	0.9	6.3	2.9
US	Imp.	0.8	0.9	1.0	1.0	0.7	1.1	1.5	0.8	1.0	1.0	1.0
	Exp.	1.6	1.5	1.7	1.9	0.1	0.2	4.6	2.6	0.9	4.7	1.5
South America	Imp.	—	—	—	—	—	—	—	—	—	—	—
	Exp.	0.1	—	—	—	—	—	—	—	—	—	—
Middle East and Africa	Imp.	0.2	0.3	0.4	0.3	—	0.2	0.4	0.6	0.5	0.4	0.9
	Exp.	—	—	—	—	—	—	—	—	—	—	—
HONG KONG												
All countries	Imp.	392.3	441.6	457.3	514.3	453.9	497.8	518.7	586.8	506.2	597.3	624.6
	Exp.	285.7	330.8	384.3	435.9	351.5	416.9	464.2	510.9	512.5	502.9	585.7
ECAFE countries[a]	Imp.	230.1	265.8	266.4	301.1	261.4	287.2	305.9	349.9	305.3	351.9	350.0
	Exp.	86.3	102.2	119.1	117.9	99.8	113.8	120.2	137.6	123.1	131.0	143.7
Developing ECAFE countries	Imp.	153.1	175.6	167.1	175.4	165.3	164.7	169.5	201.9	81.6	87.2	79.5
	Exp.	58.5	72.7	83.2	77.8	63.9	76.3	80.4	90.7	78.1	79.6	86.5
Japan	Imp.	67.8	80.4	87.3	112.1	86.6	107.6	120.8	133.3	117.4	141.0	138.0
	Exp.	17.0	19.2	22.0	24.1	21.1	23.7	23.2	28.4	28.5	35.0	36.7
Western Europe (including UK)	Imp.	88.1	91.5	95.7	104.0	94.9	100.9	101.8	118.5	107.5	121.1	129.7
	Exp.	78.9	90.9	99.2	109.6	94.3	108.9	113.5	121.6	119.5	134.5	147.7
UK	Imp.	42.1	44.2	43.0	44.7	43.5	44.2	43.7	47.4	44.5	47.2	48.2
	Exp.	39.7	44.5	51.5	58.0	52.2	61.3	58.9	59.7	57.6	63.7	63.4
USSR and Eastern Europe	Imp.	1.1	1.2	1.0	2.1	1.7	2.1	2.6	2.1	3.1	1.6	2.1
	Exp.	—	—	—	0.1	—	—	—	0.2	—	0.3	0.5
North America	Imp.	49.9	53.7	67.1	78.9	68.6	83.9	78.8	84.1	61.7	91.7	99.4
	Exp.	90.1	107.2	131.3	168.8	124.8	156.8	191.0	202.7	167.9	197.1	244.5
US	Imp.	43.5	47.7	61.7	71.3	61.9	75.6	72.3	75.2	55.7	85.8	93.6
	Exp.	79.0	93.7	115.2	149.5	110.3	138.4	169.5	179.6	150.7	179.8	216.6
South America	Imp.	4.8	6.6	4.0	4.9	2.3	3.8	6.3	7.1	6.9	7.6	12.6
	Exp.	2.0	2.5	2.7	3.1	1.7	2.9	3.7	3.9	2.2	3.7	4.9
Middle East and Africa	Imp.	15.1	20.2	20.1	20.8	21.4	17.9	20.8	23.0	19.7	20.8	27.3
	Exp.	20.5	19.7	24.0	28.1	21.4	26.2	29.1	35.7	24.9	27.1	34.8

20. DIRECTION OF INTERNATIONAL TRADE (*Cont'd*)

Quarterly averages or quarters

Million US dollars

Imports from or Exports to		1965	1966	1967	1968	1968 I	1968 II	1968 III	1968 IV	1969 I	1969 II	1969 III
INDIA												
All countries	Imp.	704.7	687.0	672.8	627.4	674.1	692.6	583.2	559.6	624.1	466.1	...
	Exp.	421.5	400.9	402.9	437.0	394.3	409.2	483.9	460.7	446.0	463.3	...
ECAFE countries[a]	Imp.	114.6	114.8	98.8	94.3	100.7	83.0	84.6	108.9	83.7	73.4	...
	Exp.	83.7	82.4	90.2	108.4	97.0	103.1	116.6	116.4	124.2	117.2	...
Developing ECAFE countries	Imp.	58.3	64.4	40.1	39.3	37.6	27.2	32.3	60.0	48.4	41.0	...
	Exp.	41.3	36.8	33.7	46.7	34.3	42.7	58.2	51.2	53.7	54.7	...
Japan	Imp.	43.7	38.4	34.4	41.6	40.9	46.5	43.7	35.1	28.5	19.9	...
	Exp.	29.1	34.4	44.7	50.4	51.6	50.9	45.2	53.8	61.2	53.5	...
Western Europe (including UK)	Imp.	217.7	177.5	168.5	147.4	171.8	162.4	130.9	125.4	135.3	99.5	...
	Exp.	123.7	113.0	122.0	120.1	107.9	101.3	148.8	126.3	100.7	114.5	...
UK	Imp.	82.6	58.5	54.5	45.6	54.5	47.4	40.9	39.5	42.7	31.7	...
	Exp.	77.9	66.9	78.5	70.8	63.4	56.5	93.4	69.8	47.9	62.8	...
USSR and Eastern Europe	Imp.	72.8	70.5	62.1	76.0	70.6	94.1	72.2	66.0	156.9	86.4	...
	Exp.	72.5	73.4	71.2	79.8	67.1	87.2	82.0	78.7	80.8	95.2	...
North America	Imp.	256.4	284.7	293.3	250.0	283.4	274.1	235.5	207.0	177.0	160.3	...
	Exp.	90.5	88.4	78.7	84.1	82.7	75.9	87.9	89.8	94.3	95.7	...
US	Imp.	243.7	257.5	256.9	218.7	254.8	256.7	182.5	180.9	142.9	138.3	...
	Exp.	77.6	77.5	68.8	73.4	70.8	67.5	77.1	78.3	83.6	85.3	...
South America	Imp.	1.9	2.5	4.2	2.5	1.1	2.6	2.7	3.7	10.7	3.7	...
	Exp.	4.9	2.8	1.5	0.9	1.1	0.9	1.0	0.6	0.3	1.0	...
Middle East and Africa	Imp.	39.8	36.9	45.5	55.5	45.2	71.1	57.5	48.3	58.0	41.7	...
	Exp.	45.3	40.7	38.6	43.3	37.7	40.5	47.1	48.5	44.7	39.6	...
INDONESIA[c]												
All countries	Imp.	150.1	139.9	168.1	...	...	...	...	...	...	...	...
	Exp.	171.7	188.2	183.7	...	...	...	...	...	...	...	...
ECAFE countries[a]	Imp.	80.3	68.2	96.6	...	...	...	...	...	...	...	...
	Exp.	66.9	75.9	73.9	...	...	...	...	...	...	...	...
Developing ECAFE countries	Imp.	21.9	33.9	50.6	...	...	...	...	...	...	...	...
	Exp.	15.4	19.5	13.7	...	...	...	...	...	...	...	...
Japan	Imp.	56.3	32.6	42.7	...	...	...	...	...	...	...	...
	Exp.	33.5	39.5	43.9	...	...	...	...	...	...	...	...
Western Europe (including UK)	Imp.	48.5	48.4	49.4	...	...	...	...	...	...	...	...
	Exp.	59.3	63.8	62.0	...	...	...	...	...	...	...	...
UK	Imp.	7.2	2.9	4.4	...	...	...	...	...	...	...	...
	Exp.	2.5	3.2	3.1	...	...	...	...	...	...	...	...
USSR and Eastern Europe	Imp.	7.0	4.4	2.5	...	...	...	...	...	...	...	...
	Exp.	0.9	1.4	—	...	...	...	...	...	...	...	...
North America	Imp.	13.4	16.9	19.5	...	...	...	...	...	...	...	...
	Exp.	41.9	45.0	45.7	...	...	...	...	...	...	...	...
US	Imp.	11.4	16.5	18.8	...	...	...	...	...	...	...	...
	Exp.	41.3	44.8	45.5	...	...	...	...	...	...	...	...
South America	Imp.	0.1	—	—	...	...	...	...	...	...	...	...
	Exp.	1.8	1.0	1.0	...	...	...	...	...	...	...	...
Middle East and Africa	Imp.	0.8	1.9	—	...	...	...	...	...	...	...	...
	Exp.	—	0.5	0.4	...	...	...	...	...	...	...	...
IRAN												
All countries	Imp.	214.9	232.3	281.0	348.5	360.8	342.6	371.5	319.1	384.3	348.4	...
	Exp.	325.6	327.1	481.9	467.5	408.6	381.5	536.9	543.0	533.0	—	...
ECAFE countries[a]	Imp.	35.5	35.1	35.7	47.4	44.1	40.6	60.5	44.3	57.3	65.7	...
	Exp.	104.4	116.9	194.2	222.0	178.1	180.6	268.8	260.4	261.3	—	...
Developing ECAFE countries	Imp.	13.3	13.6	13.4	13.4	12.6	14.0	14.4	12.5	13.5	18.0	...
	Exp.	40.6	39.4	53.2	68.9	58.5	56.1	85.5	75.6	80.4	—	...
Japan	Imp.	16.8	18.6	19.2	30.6	29.9	25.3	37.3	30.0	39.9	45.4	...
	Exp.	51.4	67.3	133.2	144.3	11.0	11.9	172.6	175.5	175.5	—	...
Western Europe (including UK)	Imp.	120.7	129.5	162.0	198.7	202.7	198.1	201.4	192.5	230.0	208.1	...
	Exp.	134.6	116.5	187.4	143.1	124.2	121.0	162.8	164.3	157.2	—	...
UK	Imp.	27.8	29.3	34.9	40.3	37.0	42.5	38.9	42.7	56.1	52.9	...
	Exp.	40.0	46.4	107.8	80.6	60.9	66.9	88.8	105.7	101.2	—	...
USSR and Eastern Europe	Imp.	9.6	15.5	20.1	29.5	32.2	29.3	29.5	26.8	28.5	32.6	...
	Exp.	8.9	11.1	14.7	15.8	18.0	5.1	10.1	30.0	32.1	—	...
North America	Imp.	39.3	45.0	53.6	60.8	66.5	61.9	68.6	46.1	59.9	36.0	...
	Exp.	22.4	29.3	25.5	25.2	22.8	28.0	23.2	26.7	22.9	—	...
US	Imp.	38.7	43.0	52.2	59.8	65.0	61.2	67.3	45.8	59.0	35.6	...
	Exp.	17.3	20.8	16.4	18.7	14.6	20.4	19.0	20.8	18.8	—	...
South America	Imp.	—	0.3	0.5	2.9	3.0	2.3	3.9	2.2	0.5	0.3	...
	Exp.	1.8	2.2	3.7	3.2	3.1	1.7	6.7	1.2	0.8	—	...
Middle East and Africa	Imp.	8.7	7.0	9.2	9.4	12.0	10.4	7.6	7.6	6.9	5.1	...
	Exp.	50.5	47.5	56.4	58.2	62.1	45.3	64.9	60.4	55.1	—	...

20. DIRECTION OF INTERNATIONAL TRADE (*Cont'd*)

Quarterly averages or quarters

Million US dollars

Imports from or Exports to		1965	1966	1967	1968	1968 I	1968 II	1968 III	1968 IV	1969 I	1969 II	1969 III
JAPAN												
All countries	Imp.	2 046	2 381	2 916	3 247	3 120	3 255	3 170	3 445	3 422	3 600	3 884
	Exp.	2 114	2 445	2 611	3 243	2 613	3 171	3 389	3 800	3 356	3 879	4 246
ECAFE countries*	Imp.	609	757	865	958	865	977	951	1 042	1 053	1 140	1 230
	Exp.	681	769	865	1 097	813	1 053	1 088	1 363	1 112	1 317	1 381
Developing ECAFE countries	Imp.	456	559	638	698	638	732	680	742	671	764	782
	Exp.	586	699	760	958	717	938	964	1 214	938	1 110	1 080
Western Europe (including UK)	Imp.	183	217	303	333	334	304	338	357	348	354	390
	Exp.	267	317	354	412	382	424	382	458	436	443	550
UK	Imp.	41	54	64	64	63	56	65	73	76	72	93
	Exp.	51	56	74	91	82	97	79	107	80	49	104
USSR and Eastern Europe	Imp.	69	87	140	137	124	125	152	146	142	126	153
	Exp.	60	78	64	65	49	62	64	85	70	82	96
North America	Imp.	763	861	1 043	1 135	1 121	1 142	1 078	1 198	1 136	1 254	1 343
	Exp.	735	876	905	1 208	954	1 214	1 317	1 346	1 212	1 466	1 632
US	Imp.	595	664	803	882	875	876	844	934	879	962	1 073
	Exp.	629	752	762	1 033	817	1 031	1 125	1 160	1 042	1 247	1 393
South America	Imp.	98	111	132	152	133	151	167	160	161	180	209
	Exp.	62	70	70	86	57	82	88	116	100	118	121
Middle East and Africa	Imp.	294	318	402	490	496	503	455	508	488	465	476
	Exp.	256	247	273	312	284	251	376	336	340	357	357
KOREA, Republic of												
All countries	Imp.	112.4	184.2	249.1	367.2	296.8	355.3	350.0	466.6	370.5	466.7	524.9
	Exp.	43.7	62.4	80.1	113.9	87.5	119.3	117.2	131.7	108.9	165.9	156.4
ECAFE countries*	Imp.	52.7	94.3	140.4	200.4	139.5	192.8	206.6	262.7	197.3	260.4	290.2
	Exp.	21.2	25.9	32.2	37.9	32.3	44.0	36.8	38.3	32.8	51.2	52.3
Developing ECAFE countries	Imp.	10.2	18.9	26.9	40.8	26.1	27.4	36.2	73.4	41.7	69.3	46.8
	Exp.	10.1	9.1	10.4	12.1	12.0	13.8	12.8	9.8	10.7	16.5	14.6
Japan	Imp.	41.6	73.5	110.8	156.0	111.2	161.4	166.8	184.7	151.7	186.4	232.2
	Exp.	10.8	16.4	21.2	24.9	20.0	29.3	22.4	28.0	20.2	32.5	34.2
Western Europe (including UK)	Imp.	6.8	14.0	17.9	38.3	37.2	42.5	39.0	34.3	33.6	61.2	59.0
	Exp.	5.3	8.5	8.2	9.1	7.2	9.3	10.0	9.7	10.6	14.0	12.6
UK	Imp.	0.3	0.6	1.3	3.9	1.3	4.4	3.7	6.2	5.6	7.3	9.3
	Exp.	0.9	1.3	2.0	1.8	1.5	1.8	1.8	1.9	2.4	2.2	2.4
USSR and Eastern Europe	Imp.	—	—	3.1	0.1	—	0.2	0.1	—	0.9	0.9	3.3
	Exp.	—	—	0.1	—	—	—	—	0.1	0.1	0.1	0.9
North America	Imp.	46.2	69.4	78.7	117.2	113.2	115.8	102.4	137.5	122.1	118.4	151.6
	Exp.	15.9	25.6	36.5	62.8	45.1	63.6	65.6	76.7	62.3	97.2	86.1
US	Imp.	45.6	68.5	78.3	113.1	108.9	113.8	99.0	130.8	115.7	113.3	143.7
	Exp.	15.3	24.0	34.4	58.9	42.3	59.3	61.2	72.6	58.9	91.7	81.0
South America	Imp.	0.1	0.7	0.8	1.1	0.2	0.1	1.5	2.4	1.1	0.8	0.5
	Exp.	—	0.1	—	—	—	—	—	0.1	—	—	—
Middle East and Africa	Imp.	1.4	2.7	2.3	9.5	—	0.1	—	37.7	15.3	20.9	13.2
	Exp.	6.0	1.7	2.2	3.1	1.8	1.9	3.4	5.4	2.0	2.5	2.2
LAOS												
All countries	Imp.	8.2	7.7	9.3	13.4	...	...	...	...	...	...	...
	Exp.	0.3	0.4	0.4	1.5	...	...	...	...	...	...	...
ECAFE countries*	Imp.	4.6	4.7	5.3	8.2	...	...	...	...	...	...	...
	Exp.	0.2	0.3	0.3	1.5	...	...	...	...	...	...	...
Developing ECAFE countries	Imp.	3.9	3.8	4.2	5.3	...	...	...	...	...	...	...
	Exp.	0.2	0.3	0.3	1.5	...	...	...	...	...	...	...
Japan	Imp.	0.7	1.0	1.1	2.9	...	...	...	...	...	...	...
	Exp.	—	—	—	—	...	...	...	...	...	...	...
Western Europe (including UK)	Imp.	1.3	1.4	1.6	2.3	...	...	...	...	...	...	...
	Exp.	—	—	—	—	...	...	...	...	...	...	...
UK	Imp.	0.7	0.6	0.4	1.0	...	...	...	...	...	...	...
	Exp.	—	—	—	—	...	...	...	...	...	...	...
USSR and Eastern Europe	Imp.	—	0.1	—	—	...	...	...	...	...	...	...
	Exp.	—	—	—	—	...	...	...	...	...	...	...
North America	Imp.	2.1	1.1	2.3	1.8	...	...	...	...	...	...	...
	Exp.	—	—	—	—	...	...	...	...	...	...	...
US	Imp.	2.1	1.1	2.3	1.8	...	...	...	...	...	...	...
	Exp.	—	—	—	—	...	...	...	...	...	...	...
South America	Imp.	—	—	—	—	...	...	...	...	...	...	...
	Exp.	—	—	—	—	...	...	...	...	...	...	...
Middle East and Africa	Imp.	—	—	—	—	...	...	...	...	...	...	...
	Exp.	—	—	—	—	...	...	...	...	...	...	...

20. DIRECTION OF INTERNATIONAL TRADE (*Cont'd*)

Quarterly averages or quarters

Million US dollars

Imports from or Exports to		1965	1966	1967	1968	1968 I	1968 II	1968 III	1968 IV	1969 I	1969 II	1969 III
MALAYSIA EAST MALAYSIA: SABAH												
All countries	Imp.	27.5	28.3	27.0	28.1	— 26.6 —		...	...	— 31.0 —		...
	Exp.	24.9	29.3	33.5	35.4	— 33.3 —		...	...	— 38.6 —		...
ECAFE countries[a]	Imp.	16.5	17.3	18.3	19.4	— 17.8 —		...	...	— 22.0 —		...
	Exp.	23.3	27.6	31.9	33.5	— 31.5 —		...	...	— 36.6 —		...
Developing ECAFE countries	Imp.	13.7	14.0	12.2	12.5	— 11.1 —		...	...	— 14.0 —		...
	Exp.	10.1	9.9	10.5	12.0	— 10.9 —		...	...	— 16.8 —		...
Japan	Imp.	1.9	2.3	3.1	3.7	— 3.8 —		...	...	— 4.8 —		...
	Exp.	12.6	17.3	20.7	20.4	— 19.6 —		...	...	— 19.0 —		...
Western Europe (including UK)	Imp.	7.1	7.7	5.5	5.4	— 5.6 —		...	...	— 5.4 —		...
	Exp.	1.0	1.0	1.1	1.4	— 1.4 —		...	...	— 1.4 —		...
UK	Imp.	5.5	5.8	4.0	3.8	— 4.0 —		...	...	— 3.7 —		...
	Exp.	0.5	0.6	0.7	0.9	— 0.8 —		...	...	— 0.8 —		...
USSR and Eastern Europe	Imp.	—	—	—	0.1	— — —		...	...	— — —		...
	Exp.	—	—	—	—	— — —		...	...	— — —		...
North America	Imp.	3.4	3.2	3.1	3.2	— 3.0 —		...	...	— 3.6 —		...
	Exp.	0.4	0.4	0.4	0.3	— 0.4 —		...	...	— 0.2 —		...
US	Imp.	3.3	3.1	2.9	3.0	— 2.8 —		...	...	— 3.5 —		...
	Exp.	0.4	0.4	0.4	0.3	— 0.4 —		...	...	— 0.2 —		...
South America	Imp.	—	—	—	—	— — —		...	...	— — —		...
	Exp.	—	—	—	—	— — —		...	...	— — —		...
Middle East and Africa	Imp.	0.1	—	—	—	— — —		...	...	— — —		...
	Exp.	0.2	0.3	0.1	—	— — —		...	...	— — —		...
MALAYSIA EAST MALAYSIA: SARAWAK												
All countries	Imp.	39.6	42.9	43.8	46.9	— 46.2 —		...	...	— 45.4 —		...
	Exp.	35.4	37.9	41.1	49.4	— 47.1 —		...	...	— 51.4 —		...
ECAFE countries[a]	Imp.	30.3	34.2	36.1	40.2	— 39.1 —		...	...	— 39.8 —		...
	Exp.	30.8	32.8	36.3	42.4	— 40.0 —		...	...	— 45.4 —		...
Developing ECAFE countries	Imp.	27.4	31.4	29.4	33.2	— 35.6 —		...	...	— 33.3 —		...
	Exp.	23.5	22.8	24.4	27.7	— 25.1 —		...	...	— 30.0 —		...
Japan	Imp.	1.7	1.8	2.0	2.8	— 2.7 —		...	...	— 2.3 —		...
	Exp.	3.7	6.3	7.0	8.8	— 9.1 —		...	...	— 9.5 —		...
Western Europe (including UK)	Imp.	6.8	6.6	5.4	4.8	— 4.6 —		...	...	— 4.4 —		...
	Exp.	3.9	4.0	3.4	5.2	— 5.8 —		...	...	— 3.6 —		...
UK	Imp.	5.3	4.9	3.9	3.2	— 3.2 —		...	...	— 2.8 —		...
	Exp.	1.8	1.6	1.3	2.4	— 3.0 —		...	...	— 1.1 —		...
USSR and Eastern Europe	Imp.	—	—	—	—	— — —		...	...	— — —		...
	Exp.	—	—	—	—	— — —		...	...	— — —		...
North America	Imp.	1.7	1.9	2.1	1.9	— 2.3 —		...	...	— 1.1 —		...
	Exp.	0.5	0.9	1.2	1.5	— 1.2 —		...	...	— 2.5 —		...
US	Imp.	1.6	1.8	2.1	1.8	— 2.2 —		...	...	— 1.0 —		...
	Exp.	0.5	0.9	1.1	1.5	— 1.1 —		...	...	— 2.5 —		...
South America	Imp.	—	—	—	—	— — —		...	...	— — —		...
	Exp.	—	—	—	—	— — —		...	...	— — —		...
Middle East and Africa	Imp.	—	—	0.1	—	— — —		...	...	— — —		...
	Exp.	0.1	0.1	0.2	0.2	— 0.2 —		...	...	— — —		...
MALAYSIA WEST MALAYSIA												
All countries	Imp.	158.8	215.0	209.7	227.1	— 217.3 —		237.4	236.2	204.0	212.8	...
	Exp.	234.2	254.8	238.3	262.7	— 240.6 —		282.5	287.3	299.5	296.7	...
ECAFE countries[a]	Imp.	90.2	116.3	121.7	146.8	— 132.7 —		157.9	164.1	132.3	134.0	...
	Exp.	104.4	115.4	113.0	118.7	— 111.1 —		131.5	121.5	130.5	147.5	...
Developing ECAFE countries	Imp.	63.4	71.5	72.9	91.7	— 80.7 —		101.4	104.0	68.9	69.3	...
	Exp.	67.1	77.4	73.1	79.4	— 75.4 —		83.2	84.0	83.5	82.6	...
Japan	Imp.	16.0	29.2	30.2	33.1	— 30.1 —		32.7	39.4	34.3	35.7	...
	Exp.	31.9	33.5	34.3	34.4	— 31.1 —		42.7	32.5	32.0	45.5	...
Western Europe (including UK)	Imp.	50.3	69.5	60.6	62.3	— 61.5 —		62.2	64.0	57.4	59.7	...
	Exp.	47.8	56.9	49.3	54.0	— 47.6 —		56.4	64.5	64.2	62.7	...
UK	Imp.	31.2	41.8	32.7	33.9	— 35.2 —		32.0	33.1	30.6	30.2	...
	Exp.	14.5	20.2	17.7	18.9	— 18.4 —		18.9	19.8	18.4	16.9	...
USSR and Eastern Europe	Imp.	0.3	0.9	1.1	1.6	— 1.5 —		1.9	1.3	1.5	1.3	...
	Exp.	22.4	26.4	20.7	23.7	— 23.7 —		20.7	26.6	26.9	20.7	...
North America	Imp.	7.5	14.9	16.0	16.8	— 17.6 —		16.9	15.1	14.2	14.2	...
	Exp.	50.5	45.8	47.5	58.6	— 51.2 —		65.8	66.1	69.2	57.7	...
US	Imp.	6.7	12.6	12.7	13.8	— 14.3 —		13.8	12.8	11.5	11.9	...
	Exp.	43.2	38.1	41.3	50.8	— 44.8 —		55.3	58.4	61.2	49.4	...
South America	Imp.	—	0.2	0.9	0.7	— 0.8 —		0.9	0.2	0.3	1.0	...
	Exp.	3.7	5.5	3.7	3.8	— 3.6 —		3.4	4.6	4.2	5.2	...
Middle East and Africa	Imp.	9.6	12.3	12.6	12.3	— 12.0 —		14.2	11.2	10.7	15.5	...
	Exp.	5.3	4.5	4.8	5.5	— 5.2 —		6.1	5.7	5.4	5.0	...

20. DIRECTION OF INTERNATIONAL TRADE (*Cont'd*)

Quarterly averages or quarters

Million US dollars

Imports from or Exports to		1965	1966	1967	1968	1968 I	1968 II	1968 III	1968 IV	1969 I	1969 II	1969 III
NEPAL												
All countries	Imp.	9.7	11.6	9.4	...	...	...	...	...	...	...	...
	Exp.	5.7	3.8	6.8	...	...	...	...	...	...	...	...
ECAFE countries[a]	Imp.	8.9	10.6	8.2	...	...	...	...	...	...	...	...
	Exp.	5.4	3.2	5.3	...	...	...	...	...	...	...	...
Developing ECAFE countries	Imp.	8.8	10.3	7.6	...	...	...	...	...	...	...	...
	Exp.	5.4	3.2	5.1	...	...	...	...	...	...	...	...
Japan	Imp.	0.1	0.3	0.7	...	...	...	...	...	...	...	...
	Exp.	—	—	0.2	...	...	...	...	...	...	...	...
Western Europe (including UK)	Imp.	0.5	0.8	0.8	...	...	...	...	...	...	...	...
	Exp.	0.2	0.3	1.0	...	...	...	...	...	...	...	...
UK	Imp.	0.1	0.2	0.3	...	...	...	...	...	...	...	...
	Exp.	—	—	0.1	...	...	...	...	...	...	...	...
USSR and Eastern Europe	Imp.	—	—	—	...	...	...	...	...	...	...	...
	Exp.	—	—	—	...	...	...	...	...	...	...	...
North America	Imp.	0.3	0.2	0.4	...	...	...	...	...	...	...	...
	Exp.	0.1	0.2	0.4	...	...	...	...	...	...	...	...
US	Imp.	0.3	0.2	0.4	...	...	...	...	...	...	...	...
	Exp.	0.1	0.2	0.4	...	...	...	...	...	...	...	...
South America	Imp.	—	—	—	...	...	...	...	...	...	...	...
	Exp.	—	—	—	...	...	...	...	...	...	...	...
Middle East and Africa	Imp.	—	—	—	...	...	...	...	...	...	...	...
	Exp.	—	—	—	...	...	...	...	...	...	...	...
NEW ZEALAND[b]												
All countries	Imp.	242.1	251.5	220.1	208.2	189.5	180.9	231.6	230.7	212.1	217.8	271.5
	Exp.	250.5	269.1	245.9	249.3	264.1	274.6	211.9	246.7	327.9	304.3	275.7
ECAFE countries[a]	Imp.	76.0	76.3	72.6	71.5	59.9	65.0	79.4	81.7	68.9	73.1	95.2
	Exp.	31.2	41.9	46.2	48.9	35.1	57.9	49.9	52.6	52.0	61.4	65.6
Developing ECAFE countries	Imp.	15.4	13.4	11.9	13.3	12.3	12.4	14.4	14.2	12.4	12.4	16.4
	Exp.	6.6	7.1	8.6	7.8	5.5	11.0	7.5	7.1	7.4	7.7	10.1
Japan	Imp.	15.1	14.4	15.4	16.0	15.5	13.1	16.2	19.4	20.4	27.9	...
	Exp.	12.9	22.5	22.8	21.5	13.0	26.9	21.2	24.8	24.3	16.2	...
Western Europe (including UK)	Imp.	110.0	115.3	95.0	85.6	87.1	69.4	97.1	88.6	87.6	114.8	84.1
	Exp.	162.7	154.8	138.1	141.7	175.2	130.9	135.4	125.2	201.9	171.1	92.2
UK	Imp.	88.9	93.5	72.0	65.4	70.6	54.2	72.8	64.0	63.0	72.5	80.0
	Exp.	121.1	113.0	110.1	114.1	141.7	97.3	116.7	100.7	154.8	111.4	69.0
USSR and Eastern Europe	Imp.	—	—	—	—	—	—	—	—	—	—	—
	Exp.	2.0	4.7	2.2	3.5	2.8	5.1	1.4	4.6	8.3	2.3	2.0
North America	Imp.	39.7	38.5	33.9	33.5	28.7	28.5	37.9	38.9	34.0	34.8	45.4
	Exp.	37.6	49.1	44.2	37.8	34.4	63.1	7.0	46.8	49.5	60.3	82.5
US	Imp.	29.4	28.1	23.7	25.3	21.1	20.3	31.1	28.7	26.8	24.8	31.2
	Exp.	31.1	42.4	37.9	30.7	31.7	52.2	—	38.8	44.7	49.9	60.6
South America	Imp.	0.3	0.3	0.4	0.1	0.5	—	—	—	—	—	—
	Exp.	0.8	1.2	1.4	0.9	4.1	1.8	0.7	0.6	0.6	0.7	0.8
Middle East and Africa	Imp.	1.9	2.9	3.4	2.8	1.0	2.8	3.5	4.0	2.9	0.8	5.6
	Exp.	3.2	2.9	1.0	0.7	0.4	0.9	1.1	0.4	0.7	0.7	2.1
PAKISTAN												
All countries	Imp.	260.5	224.8	274.7	248.1	245.8	238.5	262.3	245.9	246.1	265.9	255.2
	Exp.	131.7	149.9	149.6	180.0	—	—	—	—	186.9	157.7	147.7
ECAFE countries[a]	Imp.	48.2	49.3	63.0	56.4	55.2	47.2	58.0	65.3	52.1	55.0	49.7
	Exp.	45.9	43.9	43.0	54.6	—	—	—	—	52.9	45.2	35.0
Developing ECAFE countries	Imp.	20.5	23.6	26.6	19.7	34.0	19.8	26.6	18.9	14.3	13.0	15.0
	Exp.	36.3	32.7	29.6	30.5	—	—	—	—	29.0	24.1	22.4
Japan	Imp.	25.6	19.8	23.8	27.4	19.8	26.3	28.2	35.1	29.9	29.9	25.9
	Exp.	5.9	6.0	9.1	—	—	—	—	—	9.7	7.4	5.9
Western Europe (including UK)	Imp.	104.2	87.0	91.8	85.0	89.2	87.6	76.6	76.9	91.1	104.8	113.6
	Exp.	42.3	48.6	44.8	58.1	—	—	—	—	58.9	48.2	46.7
UK	Imp.	38.6	34.0	35.3	30.3	36.0	33.6	26.5	25.2	30.5	34.5	31.4
	Exp.	17.8	17.4	18.8	20.9	—	—	—	—	21.1	15.4	16.2
USSR and Eastern Europe	Imp.	9.3	13.9	16.3	20.8	17.5	27.7	29.3	18.4	22.0	27.8	23.6
	Exp.	5.9	12.8	13.8	12.6	—	—	—	—	26.4	13.1	14.2
North America	Imp.	96.7	72.0	98.7	81.1	79.4	71.0	95.0	79.0	73.8	72.2	62.2
	Exp.	15.2	19.2	21.1	23.4	—	—	—	—	18.3	22.9	19.2
US	Imp.	91.3	65.9	90.3	74.9	73.8	66.0	86.6	73.2	68.5	70.3	54.7
	Exp.	11.9	17.6	19.8	21.8	—	—	—	—	15.9	20.4	17.8
South America	Imp.	—	0.1	—	0.1	—	—	—	0.5	0.2	—	—
	Exp.	2.7	2.7	2.1	2.4	—	—	—	—	1.1	2.6	6.2
Middle East and Africa	Imp.	1.8	2.3	4.5	2.4	4.1	4.8	3.4	2.9	3.5	2.7	2.6
	Exp.	19.5	22.1	24.5	24.0	—	—	—	—	23.4	22.9	24.0

20. DIRECTION OF INTERNATIONAL TRADE (*Cont'd*)

Quarterly averages or quarters

Million US dollars

Imports from or Exports to		1965	1966	1967	1968	1968 I	1968 II	1968 III	1968 IV	1969 I	1969 II	1969 III
PHILIPPINES												
All countries	Imp.	223.8	234.1	293.0	319.7	301.5	308.7	351.9	316.8	308.1	321.7	320.5
	Exp.	191.8	195.9	203.3	205.8	193.2	227.5	198.0	204.5	185.7	217.7	220.6
ECAFE countries[a]	Imp.	89.2	97.2	120.9	129.6	120.2	122.2	143.6	132.4	134.6	131.1	145.0
	Exp.	61.6	74.8	85.5	85.9	81.4	87.0	83.4	91.9	73.7	101.7	108.1
Developing ECAFE countries	Imp.	29.3	20.3	26.3	26.0	20.2	25.4	28.1	30.4	30.6	29.0	30.5
	Exp.	6.6	9.4	15.9	15.0	11.7	15.8	16.6	16.0	13.9	44.1	14.8
Japan	Imp.	53.2	66.0	82.4	87.9	83.7	81.1	99.2	87.7	87.9	85.1	...
	Exp.	54.2	64.4	68.5	70.0	68.9	70.2	66.0	75.0	59.1	55.4	...
Western Europe (including UK)	Imp.	37.0	39.2	49.2	61.0	57.8	54.7	68.8	62.8	74.8	61.6	59.1
	Exp.	39.8	39.4	26.2	23.5	16.5	18.1	26.8	32.6	21.7	17.2	19.1
UK	Imp.	9.0	9.5	11.4	13.5	14.2	12.4	15.3	11.9	15.5	12.8	14.1
	Exp.	2.1	1.7	1.7	1.6	1.9	1.0	1.8	1.6	1.3	1.2	2.2
USSR and Eastern Europe	Imp.	—	—	—	—	—	—	—	—	—	—	—
	Exp.	—	—	—	—	—	—	—	—	—	—	—
North America	Imp.	85.8	87.4	105.4	111.3	104.8	109.2	123.0	108.1	83.7	114.7	105.4
	Exp.	88.2	78.6	88.2	94.4	93.4	119.7	87.1	77.4	82.0	95.9	88.0
US	Imp.	77.9	80.8	100.6	103.7	97.3	103.1	116.1	98.4	77.6	102.6	97.3
	Exp.	87.2	78.0	87.7	93.9	93.0	119.1	86.5	76.9	81.0	95.3	87.0
South America	Imp.	1.1	1.5	2.2	2.0	1.8	2.2	2.7	1.3	1.7	2.7	1.6
	Exp.	1.0	1.3	1.8	0.3	0.6	0.1	0.5	—	6.5	—	2.3
Middle East and Africa	Imp.	10.2	8.6	14.5	14.6	16.1	19.2	12.4	10.6	9.6	10.1	7.5
	Exp.	0.5	0.6	0.2	0.4	0.6	0.1	0.5	0.4	0.2	0.4	0.7
SINGAPORE[d]												
All countries	Imp.	311.0	332.1	359.9	415.2	387.5	425.3	425.7	421.5	450.3	476.6	531.4
	Exp.	245.4	275.6	285.1	317.8	284.7	311.4	331.1	343.8	353.0	371.7	405.4
ECAFE countries[a]	Imp.	205.8	220.7	235.0	263.1	242.7	247.1	282.3	279.5	288.4	288.0	341.2
	Exp.	158.8	181.6	179.0	193.2	174.9	190.2	202.1	205.7	218.1	219.7	236.8
Developing ECAFE countries	Imp.	156.1	166.1	172.2	186.3	178.5	171.2	199.9	194.6	167.2	157.0	196.7
	Exp.	139.4	163.5	157.9	162.3	150.1	161.8	167.7	169.6	171.8	163.8	176.0
Japan	Imp.	34.4	37.9	44.8	56.5	44.6	54.1	61.0	66.5	63.6	74.8	83.5
	Exp.	9.2	10.1	12.7	22.4	17.3	20.3	25.3	26.7	21.4	24.4	32.2
Western Europe (including UK)	Imp.	62.6	63.8	64.7	70.0	65.1	79.1	67.7	68.1	74.1	84.9	88.4
	Exp.	38.4	40.6	47.1	53.3	47.6	52.1	55.4	58.2	55.9	60.5	67.3
UK	Imp.	33.8	33.3	29.0	32.4	30.9	39.1	32.1	27.4	30.3	37.0	34.9
	Exp.	15.7	15.1	17.3	20.1	17.6	20.0	21.7	20.9	18.8	21.4	23.5
USSR and Eastern Europe	Imp.	1.6	1.4	2.8	4.8	3.5	5.7	5.9	4.2	4.5	4.3	8.6
	Exp.	14.6	12.9	12.4	14.4	14.4	11.9	13.9	17.6	13.0	17.5	20.9
North America	Imp.	20.2	21.9	25.4	33.7	27.5	44.7	29.7	33.0	31.2	50.6	48.5
	Exp.	13.9	18.3	24.6	32.9	25.9	33.2	34.7	37.9	40.7	43.5	56.4
US	Imp.	15.8	17.2	20.2	28.4	20.9	35.9	26.7	30.1	29.0	39.8	42.8
	Exp.	10.2	13.2	19.9	26.9	20.9	27.5	28.0	31.3	32.2	41.1	47.3
South America	Imp.	0.8	0.5	1.6	1.9	2.4	2.1	1.1	2.1	3.6	3.4	3.1
	Exp.	3.5	3.6	3.0	3.3	3.3	2.8	4.0	3.0	4.4	5.9	4.8
Middle East and Africa	Imp.	19.2	23.0	29.0	40.6	44.6	45.9	38.6	34.1	48.0	44.8	41.0
	Exp.	13.6	15.5	15.5	16.4	15.3	17.2	18.3	17.0	17.5	14.8	16.2
THAILAND												
All countries	Imp.	182.8	293.3	264.8	122.1	280.9	281.8	...	...	...	...	...
	Exp.	155.7	173.4	171.1	73.8	163.2	151.3	...	...	...	...	...
ECAFE countries[a]	Imp.	85.5	112.8	131.7	57.1	128.3	133.7	...	...	...	...	...
	Exp.	102.1	113.2	109.8	46.3	101.2	91.7	...	...	...	...	...
Developing ECAFE countries	Imp.	24.1	32.2	29.0	11.8	28.3	28.9	...	...	...	...	...
	Exp.	72.8	77.1	71.9	32.4	68.9	50.2	...	...	...	...	...
Japan	Imp.	57.8	75.3	95.6	42.0	93.4	97.5	...	...	...	...	...
	Exp.	28.9	35.6	36.9	13.6	31.6	41.0	...	...	...	...	...
Western Europe (including UK)	Imp.	52.8	56.7	72.8	32.0	81.2	75.2	...	...	...	...	...
	Exp.	30.5	28.2	29.2	14.8	31.0	31.7	...	...	...	...	...
UK	Imp.	17.5	18.0	19.6	8.3	23.1	18.2	...	...	...	...	...
	Exp.	6.6	6.3	4.9	2.4	5.2	4.7	...	...	...	...	...
USSR and Eastern Europe	Imp.	2.2	2.4	3.3	1.2	3.3	2.2	...	...	...	...	...
	Exp.	1.6	2.1	1.4	0.3	2.1	0.7	...	...	...	...	...
North America	Imp.	37.6	111.3	46.0	25.3	52.9	55.7	...	...	...	...	...
	Exp.	11.9	22.6	24.3	9.7	21.2	21.5	...	...	...	...	...
US	Imp.	35.3	108.6	44.1	24.3	51.3	50.1	...	...	...	...	...
	Exp.	10.1	12.0	24.0	9.5	21.0	20.6	...	...	...	...	...
South America	Imp.	0.2	0.2	0.5	—	0.1	—	...	...	...	...	...
	Exp.	0.6	—	—	—	—	—	...	...	...	...	...
Middle East and Africa	Imp.	4.1	9.5	10.0	3.7	13.8	14.5	...	...	...	...	...
	Exp.	8.8	7.2	6.3	2.5	7.6	5.4	...	...	...	...	...

EXTERNAL TRADE

20. DIRECTION OF INTERNATIONAL TRADE (*Cont'd*)

Quarterly averages or quarters

Million US dollar

Imports from or Exports to		1965	1966	1967	1968	1968 I	1968 II	1968 III	1968 IV	1969 I	1969 II	1969 III
VIET-NAM, Republic of												
All countries	Imp.	89.1	124.0	134.9	*316.0*	84.2	82.8	...	...	—	*249.0*	— ...
	Exp.	8.8	6.1	4.0	*7.9*	2.8	1.9	...	...	—	*3.5*	— ...
ECAFE countries[a]	Imp.	34.0	52.1	66.1	*167.2*	28.5	41.4	...	...	—	*119.6*	— ...
	Exp.	2.2	1.3	0.8	*1.8*	0.7	0.6	...	...	—	*0.6*	— ...
Developing ECAFE countries	Imp.	25.5	33.4	30.8	*71.1*	13.3	18.7	...	...	—	*38.3*	— ...
	Exp.	1.2	0.4	0.2	*0.3*	—	0.2	...	...	—	—	— ...
Japan	Imp.	8.2	18.0	34.9	*94.8*	14.9	22.3	...	...	—	*80.4*	— ...
	Exp.	0.9	0.8	0.6	*1.5*	0.7	0.4	...	...	—	*0.6*	— ...
Western Europe (including UK)	Imp.	12.6	20.0	20.5	*51.7*	19.8	19.1	...	...	—	*41.4*	— ...
	Exp.	6.3	4.5	3.0	*5.9*	2.0	1.3	...	...	—	*2.5*	— ...
UK	Imp.	1.5	2.5	1.8	*3.6*	1.6	1.5	...	...	—	*3.2*	— ...
	Exp.	1.1	1.0	0.6	*1.1*	0.4	0.2	...	...	—	*0.2*	— ...
USSR and Eastern Europe	Imp.	—	—	2.3	—	—	—	...	...	—	—	— ...
	Exp.	—	—	0.1	—	—	—	...	...	—	—	— ...
North America	Imp.	40.8	50.6	43.9	*92.7*	23.7	20.9	...	...	—	*85.7*	— ...
	Exp.	0.4	0.3	0.1	*0.2*	0.1	—	...	...	—	*0.1*	— ...
US	Imp.	40.5	50.1	43.6	*92.3*	23.5	20.6	...	...	—	*85.5*	— ...
	Exp.	0.4	0.3	0.1	*0.2*	0.1	—	...	...	—	*0.1*	— ...
South America	Imp.	0.3	0.3	0.8	*0.6*	0.4	0.1	...	...	—	*0.1*	— ...
	Exp.	—	—	—	—	—	—	—	...	—	—	— ...
Middle East and Africa	Imp.	1.3	1.0	1.2	*2.8*	11.4	1.1	...	...	—	*1.7*	— ...
	Exp.	—	—	—	—	—	—	—	...	—	—	— ...
WESTERN SAMOA												
All countries	Imp.	2.3	2.0	2.0	1.9	...	...	...	...	...	...	...
	Exp.	1.4	1.1	1.1	1.3	...	...	...	...	...	...	...
ECAFE countries[a]	Imp.	1.4	1.5	1.4	1.4	...	...	...	...	...	...	...
	Exp.	0.7	0.2	0.5	0.5	...	...	...	...	...	...	...
Developing ECAFE countries	Imp.	0.1	0.2	0.2	0.2	...	...	...	...	...	...	...
	Exp.	—	—	—	—	...	...	...	...	...	...	...
Japan	Imp.	0.2	0.2	0.2	0.2	...	...	...	...	...	...	...
	Exp.	—	—	—	—	...	...	...	...	...	...	...
Western Europe (including UK)	Imp.	0.4	0.2	0.2	0.2	...	...	...	...	...	...	...
	Exp.	0.7	0.8	0.4	0.6	...	...	...	...	...	...	...
UK	Imp.	0.2	0.2	0.2	0.1	...	...	...	...	...	...	...
	Exp.	0.2	0.1	0.2	0.2	...	...	...	...	...	...	...
USSR and Eastern Europe	Imp.	—	—	—	—	—	—	—	...	...	...	...
	Exp.	—	—	—	—	—	—	—	...	...	...	...
North America	Imp.	0.3	0.1	0.1	0.1	...	...	...	...	...	...	...
	Exp.	—	0.1	0.1	0.1	...	...	...	...	...	...	...
US	Imp.	0.2	0.1	0.1	0.1	...	...	...	...	...	...	...
	Exp.	—	0.1	0.1	0.1	...	...	...	...	...	...	...
South America	Imp.	—	—	—	—	—	—	—	...	...	...	...
	Exp.	—	—	—	—	—	—	—	...	...	...	...
Middle East and Africa	Imp.	0.1	0.1	0.1	0.1	—	—	—	...	...	...	...
	Exp.	—	—	—	—	—	—	—	...	...	...	...

GENERAL NOTE: (1) For details and explanatory notes, see International Monetary Fund, *Direction of Trade* (A supplement to International Financial Statistics). (2) As complete breakdowns are not given, the sum of total trade of any individual country with different regions does not add up to the total given under trade with "all countries". (3) See "general note" to table 19.

a. ECAFE countries comprising Afghanistan, Australia, Brunei, Burma, Cambodia, Ceylon, China, Hong Kong, India, Indonesia, Iran, Japan, Korea, Laos, Malaysia, Mongolia, Nepal, New Zealand, Pakistan, Philippines, Singapore, Thailand, Viet-Nam and Western Samoa.

b. Imports valued f.o.b.

c. Beginning 1965, data are derived from trade returns of other countries which exclude Soviet Areas, Malaysia and Singapore.

d. Excluding trade with Indonesia.

21. COMPOSITION OF IMPORTS

	VALUE *(in millions)*					PERCENTAGE DISTRIBUTION				
	Consumption goods		Materials chiefly for consumption goods	Materials chiefly for capital goods	Capital goods	Consumption goods		Materials chiefly for consumption goods	Materials chiefly for capital goods	Capital goods
	Food	Others				Food	Others			
AUSTRALIAø *(Australian dollar)*										
1963	86.3	463.7	626.1	109.7	840.1	4.1	21.8	29.4	5.2	39.5
1964	99.0	495.0	677.3	114.2	947.9	4.3	21.2	29.0	4.9	40.6
1965	110.5	586.9	763.1	178.0	1 221.2	3.9	20.5	26.7	6.2	42.7
1966	121.3	626.1	745.2	135.5	1 311.4	4.1	21.3	25.4	4.6	44.6
1967	128.7	655.4	800.6	142.7	1 317.9	4.2	21.5	26.3	4.7	43.3
1968	127.8	648.4	810.9	231.4	1 446.0	3.9	19.9	24.8	7.1	44.3
1969 1st half	...	...	...	...	...	...	...	...	...	...
BURMA *(Kyat)*										
1963	121	290	252	67	386	10.8	26.0	22.6	6.0	34.6
1964	117	266	491	60	359	9.0	20.6	38.0	4.6	27.8
1965	143	291	331	71	350	12.0	24.6	27.9	6.0	29.5
1966	48	142	225	54	283	6.4	18.9	30.0	7.1	37.6
1967	...	...	...	...	...	...	...	...	...	...
1968	...	...	...	...	...	...	...	...	...	...
1969 1st half	...	...	...	...	...	...	...	...	...	...
CAMBODIA *(riel)*										
1963	310	1 449	302	653	1 037	8.3	38.6	8.1	17.4	27.6
1964	161	1 232	217	446	808	5.6	43.0	7.6	15.6	28.2
1965	127	1 352	332	374	1 417	3.5	37.6	9.2	10.4	39.3
1966	177	1 219	411	387	1 694	4.5	31.4	10.6	9.9	43.6
1967	216	944	344	425	1 436	6.4	28.0	10.2	12.7	42.7
1968	226	1 012	631	407	1 679	5.6	27.2	15.6	10.1	41.5
1969 1st half	...	...	...	...	...	...	...	...	...	...
CEYLON *(rupee)*										
1963	631	194	206	149	319	42.1	12.9	13.8	9.9	21.3
1964	1 011	285	238	133	308	51.2	14.4	12.1	6.7	15.6
1965	597	211	262	146	258	40.5	14.3	17.8	9.9	17.5
1966	957	266	306	144	356	47.2	13.1	15.1	7.1	17.5
1967	785	196	281	151	330	45.1	11.2	16.1	8.7	18.9
1968	991	247	354	194	387	45.6	11.4	16.3	8.9	17.8
1969 1st half	...	...	...	...	...	...	...	...	...	...
CHINA (Taiwan) *(new Taiwan dollar)*										
1963	1 487	778	6 527	1 514	4 177	10.3	5.4	45.1	10.4	28.8
1964	1 650	939	7 341	2 107	5 124	9.6	5.5	42.8	12.3	29.8
1965	1 838	1 133	8 099	2 745	8 481	8.3	5.1	36.3	12.3	38.0
1966	1 702	1 208	10 091	1 940	10 016	6.8	4.9	40.4	7.8	40.1
1967	2 137	1 606	10 764	4 103	13 704	6.6	5.0	33.3	12.7	42.4
1968	3 114	1 911	13 972	2 383	15 267	8.5	5.2	38.1	6.5	41.7
1969 1st half	...	...	...	...	...	...	...	...	...	...
HONG KONG *(Hong Kong dollar)*										
1963	1 733	1 888	2 053	444	1 294	23.4	25.5	27.7	6.0	17.4
1964	2 012	2 230	2 242	561	1 495	23.6	26.1	26.2	6.6	17.5
1965	2 042	2 316	2 305	592	1 702	22.8	25.9	25.7	6.6	19.0
1966	2 216	2 681	2 784	597	1 778	22.0	26.7	27.7	5.9	17.7
1967	2 329	2 789	2 948	583	1 792	22.3	26.7	28.2	5.6	17.2
1968	2 468	3 386	3 826	663	2 084	19.9	29.2	30.8	5.3	16.8
1969 1st half	1 268	1 838	2 012	322	1 251	18.9	27.5	30.1	4.8	18.7
INDIA *(rupee)*[a]										
1963	1 675	782	2 609	932	5 231	14.9	7.0	23.2	8.3	46.6
1964	1 901	500	2 622	980	5 833	16.1	4.2	22.1	8.3	49.3
1965	3 256	560	2 844	1 110	6 431	22.9	4.0	20.0	7.8	45.3
1966	6 267	955	4 276	1 067	7 181	31.7	4.8	21.7	5.4	36.4
1967	6 578	730	5 275	1 555	6 711	31.5	3.5	25.3	7.5	32.2
1968	4 280	938	5 765	1 311	6 340	23.0	5.0	31.0	7.0	34.0
1969 1st half	1 899	1 080	2 098	536	2 745	22.7	12.9	25.1	6.4	32.9
INDONESIA *(new rupiah)*[b]										
1963	927	787	991	849	1 635	17.8	15.2	19.1	16.4	31.5
1964	1 853	942	769	622	2 437	28.0	14.2	11.6	9.4	36.8
1965	1 461	1 069	1 098	699	2 712	20.8	15.2	15.6	9.9	38.5
1966	788	1 779	713	483	1 674	14.5	32.7	13.1	8.9	30.8
1967	57.8	207.1	79.1	79.9	222.9	8.9	32.0	12.2	12.4	34.5
1968	...	...	...	...	...	...	...	...	...	...
1969 1st half	...	...	...	...	...	...	...	...	...	...
JAPAN *(yen)*										
1963	377 212	72 242	1 129 757	522 066	318 424	15.6	3.0	46.7	21.6	13.1
1964	477 775	97 924	1 256 437	697 529	327 506	16.7	3.4	44.0	24.4	11.5
1965	509 772	109 468	1 313 201	726 599	281 807	17.3	3.7	44.7	24.7	9.6
1966	576 590	136 385	1 574 603	835 238	305 376	16.8	4.0	45.9	24.4	8.9
1967	623 849	177 826	1 782 503	1 219 630	394 904	14.9	4.2	42.5	29.0	9.4
1968	652 327	231 797	2 023 282	1 254 279	503 045	14.0	4.9	43.4	26.9	10.8
1969 1st half	345 150	134 212	1 066 201	698 439	283 766	13.7	5.3	42.2	27.6	11.2

21. COMPOSITION OF IMPORTS (*Cont'd*)

	VALUE (*in millions*)					PERCENTAGE DISTRIBUTION				
	Consumption goods		Materials chiefly for consumption goods	Materials chiefly for capital goods	Capital goods	Consumption goods		Materials chiefly for consumption goods	Materials chiefly for capital goods	Capital goods
	Food	Others				Food	Others			
KOREA, Republic of[c] (*U.S. dollar*)										
1963	120.6	23.1	208.1	56.4	151.7	21.5	4.1	37.2	10.1	27.1
1964	68.2	13.8	204.0	27.8	82.7	17.2	3.5	51.4	7.0	20.9
1965	63.5	17.2	248.4	24.1	86.6	14.4	3.9	56.5	5.5	16.7
1966	72.4	19.1	296.0	76.3	211.8	10.7	2.8	43.8	11.3	31.4
1967	94.1	54.2	388.2	78.7	381.5	9.4	5.4	39.0	7.9	38.3
1968	167.5	90.5	504.9	96.7	612.0	11.4	6.1	34.3	6.6	41.6
1969 1st half	68.6	58.4	283.3	41.8	315.8	8.9	7.6	36.9	5.5	41.1
LAOS (*kip*)										
1963	572	665	230	334	522	24.6	28.6	9.9	14.4	22.5
1964	1 392	2 333	402	403	1 593	22.7	38.1	6.6	6.6	26.0
1965	1 705	2 537	781	944	1 926	21.6	32.1	9.9	12.0	24.4
1966	3 308	2 940	638	663	2 488	33.0	29.3	6.3	6.6	24.8
1967	3 564	3 454	930	1 001	2 758	30.4	29.5	7.9	8.6	23.6
1968	3 496	3 794	1 006	808	3 775	27.1	29.5	7.8	6.3	29.3
1969 1st half	...	...	...	...	...	...	...	...	...	...
MALAYSIA[d] (*Malaysian dollar*)										
EAST MALAYSIA:										
SABAH										
1963	51.1	116.0	24.2	22.8	90.4	16.8	38.1	7.9	7.6	29.6
1964	57.7	98.5	23.6	23.8	90.4	19.6	33.5	8.0	8.1	30.8
1965	57.4	118.1	22.7	28.0	108.2	17.1	35.3	6.8	8.4	32.4
1966	63.7	100.5	23.1	31.8	123.3	18.6	29.3	6.8	9.3	36.0
1967	68.2	96.1	20.7	27.6	115.8	20.8	29.2	6.3	8.4	35.3
1968	67.4	92.1	21.2	32.4	129.8	19.6	26.8	6.2	9.5	37.9
1969 1st half	34.5	50.0	12.6	16.5	75.8	18.2	26.4	6.7	8.7	40.0
SARAWAK										
1963	77.3	55.9	191.7	12.6	56.4	19.6	14.2	48.7	3.3	14.2
1964	86.1	54.6	197.0	14.2	65.3	20.2	15.1	46.1	3.3	15.1
1965	89.3	73.6	212.1	21.2	88.6	18.4	15.2	43.7	4.4	18.3
1966	93.3	74.5	239.5	23.0	95.5	17.7	14.2	45.5	4.4	18.2
1967	95.0	65.7	261.1	20.1	94.8	17.7	12.2	48.7	3.7	17.7
1968	88.6	72.1	295.4	21.2	97.5	15.4	12.5	51.4	3.7	17.0
1969 1st half	47.5	37.6	144.0	8.7	39.9	17.1	13.5	51.9	3.1	14.4
WEST MALAYSIA										
1963	649	467	391	318	688	25.8	18.6	15.5	12.7	27.4
1964	695	432	444	254	696	27.6	17.1	17.6	10.1	27.6
1965	614	470	500	234	791	23.5	18.0	19.2	9.0	30.3
1966	611	450	529	180	863	23.2	17.1	20.1	6.8	32.8
1967	623	457	501	183	804	24.3	17.8	19.5	7.1	31.3
1968	632	427	544	291	834	23.2	15.6	19.9	10.7	30.6
1969 1st half	262	217	292	113	394	30.5	17.0	22.9	8.8	30.8
PAKISTAN (*rupee*)										
1963	714	281	767	439	2 031	16.9	6.6	18.1	10.4	48.0
1964	*869*	*333*	*788*	*613*	*2 147*	*18.3*	*7.0*	*16.6*	*12.9*	*45.2*
1965	739	296	875	483	2 573	14.9	6.0	17.6	9.7	51.8
1966	450	271	1 030	460	2 073	10.5	6.3	24.0	10.8	48.4
1967	915	253	1 097	525	2 454	17.5	4.8	20.9	10.0	46.8
1968	694	243	1 066	525	2 216	14.6	5.1	22.5	11.1	46.7
1969 1st half	207	124	471	280	1 360	8.5	5.1	19.3	11.4	55.7
PHILIPPINES[e] (*U.S. dollar*)										
1963	104.6	56.9	157.3	25.1	274.2	16.9	9.2	25.4	4.1	44.4
1964	122.7	64.3	198.0	40.4	354.3	15.7	8.3	25.4	5.2	45.4
1965	155.2	64.4	188.6	44.2	353.4	19.3	8.0	23.4	5.5	43.8
1966	122.7	71.5	216.8	34.8	406.9	14.4	8.4	25.4	4.1	47.7
1967	160.0	81.6	245.1	63.2	512.3	15.1	7.7	23.1	5.9	48.2
1968	132.7	87.9	296.5	78.6	554.5	11.5	7.7	25.8	6.8	48.2
1969 1st half	59.2	43.6	145.7	39.6	277.6	10.5	7.7	25.7	7.0	49.1
SINGAPORE[f] (*Singapore dollar*)										
1963	849	1 009	1 337	376	706	19.8	23.6	31.3	8.8	16.5
1964	705	856	914	348	654	20.3	24.6	22.3	10.0	18.8
1965	743	914	1 057	349	741	19.5	24.0	27.8	9.2	19.5
1966	770	1 023	1 172	350	748	19.0	25.2	28.8	8.6	18.1
1967	812	1 243	1 196	367	789	18.4	28.2	27.2	8.3	17.9
1968	889	1 372	1 409	413	1 000	17.5	27.0	27.7	8.1	19.7
1969 1st half	451	789	784	225	588	15.9	27.8	27.7	7.9	20.7
THAILAND[g] (*Baht*)										
1963	812	3 163	1 804	1 275	5 601	6.4	25.0	14.3	10.1	44.2
1964	876	3 315	2 441	1 391	6 126	6.2	23.4	17.3	9.8	43.3
1965	891	4 138	2 915	1 191	6 914	5.5	25.8	18.2	7.4	43.1
1966	2 173	6 980	3 941	2 705	9 424	8.6	27.7	15.6	10.7	37.4
1967	1 035	4 275	4 403	1 734	10 595	4.7	19.4	20.0	7.9	48.0
1968	1 109	4 109	5 168	1 792	11 745	4.6	17.2	21.6	7.5	49.1
1969 1st half	629	2 213	2 203	962	6 285	5.1	18.0	17.9	7.8	51.2

21. COMPOSITION OF IMPORTS (*Cont'd*)

	VALUE (*in millions*)					PERCENTAGE DISTRIBUTION				
	Consumption goods		Materials chiefly for consumption goods	Materials chiefly for capital goods	Capital goods	Consumption goods		Materials chiefly for consumption goods	Materials chiefly for capital goods	Capital goods
	Food	Others				Food	Others			
IET-NAM, Republic of (*piastre*)[h]										
1963	1 569	1 532	2 633	1 427	2 855	15.7	15.3	26.3	14.2	28.5
1964	1 487	2 260	2 129	1 144	3 390	14.3	21.7	20.4	11.0	32.6
1965	1 558	1 940	3 353	1 212	4 441	12.5	15.5	26.8	9.7	35.5
1966	4 680	5 846	7 768	2 619	14 596	13.2	16.4	21.9	7.4	41.1
1967	4 063	8 098	8 447	2 833	19 602	9.4	18.8	19.6	6.6	45.5
1968	9 004	7 164	6 286	1 618	13 222	24.1	19.2	16.9	4.3	35.5
1969 1st half	8 294	4 923	5 496	1 154	9 520	28.2	16.8	18.7	3.9	32.4

GENERAL NOTE RELATING TO TABLES 21 and 22: Total of the five groups of imports or exports do not add up to total imports or exports published in national trade returns, because (1) in a few countries a small part of the imports or exports (in no case more than 4%) are not included in the commodity trade statistics published by governments, and (2) of rounding. Percentage distribution refers to percentages of the totals of the five groups of commodities.

a. The trade for the period January-May 1966 has been revalued at the new rate of 7.50 rupees per U.S. dollar introduced in June 1966 (prior to 1966: the trade is valued at the rate of 4.76 rupees per U.S. dollar).

b. Data for 1963-1965 are converted from old rupiahs into US$ at the rate of 45.0 rupiahs per US$, and are again converted into new rupiahs at the rate of 10 new rupiahs per US$. Beginning 1967, data are shown in US$.

c. Including foreign aid.

d. Including trade between Sabah, Sarawak and West Malaysia.

e. f.o.b. value.

f. Beginning 1964, excluding trade with Indonesia.

g. Beginning 1967, excluding military aid goods; data for first half of 1969 refer to Port of Bangkok only.

h. The trade for the period January-May 1966 has been revalued at the rate of 80 piastres per US$ dollar introduced in June 1966 (prior to 1966, the trade is valued at 35 piastres per US dollar).

22. COMPOSITION OF EXPORTS

	VALUE (*in millions*)				PERCENTAGE DISTRIBUTION			
	Consumption goods	Materials chiefly for consumption goods	Materials chiefly for capital goods	Capital goods	Consumption goods	Materials chiefly for consumption goods	Materials chiefly for capital goods	Capital goods
USTRALIAø (*Australian dollar*)								
1963	890.7	906.4	211.5	129.6	41.6	42.4	9.9	6.1
1964	1 190.3	1 141.4	256.5	180.0	43.0	41.2	9.3	6.5
1965	1 149.4	990.2	290.8	202.2	43.7	37.6	11.0	7.7
1966	1 102.3	981.4	380.8	230.8	40.9	36.4	14.1	8.6
1967	1 313.9	1 022.6	428.4	259.0	43.4	33.8	14.2	8.6
1968	1 209.2	953.9	629.7	251.9	39.7	31.3	20.7	8.3
1969 1st half	...	...	...	...	...	...	...	...
ONG KONG (*Hong Kong dollar*)								
1963	3 857	597	113	424	77.3	11.9	2.3	8.5
1964	4 475	641	133	505	77.8	11.1	2.3	8.8
1965	4 932	750	160	669	75.7	11.5	2.5	10.3
1966	5 588	849	188	915	74.1	11.3	2.5	12.1
1967	6 459	954	192	1 157	73.7	10.9	2.2	13.2
1968	7 890	1 055	204	1 401	74.8	10.0	1.9	13.3
1969 1st half	4 292	570	112	774	74.7	9.9	1.9	13.5
NDIA (*rupee*)[a]								
1963	5 274	1 568	664	95	69.4	20.6	8.7	1.2
1964	5 517	1 650	854	146	67.5	20.2	10.5	1.8
1965	5 215	1 481	819	215	67.5	19.1	10.6	2.8
1966	7 750	2 392	1 323	407	65.2	20.2	11.2	3.4
1967	7 656	2 310	1 486	550	63.8	19.2	12.4	4.6
1968	7 608	2 722	1 802	985	58.0	20.8	13.7	7.5
1969 1st half	3 664	1 742	912	563	53.2	25.3	13.3	8.2
APAN (*yen*)								
1963	701 561	278 743	91 744	879 530	35.9	14.3	4.7	45.1
1964	819 314	332 045	116 389	1 134 600	34.1	13.8	4.9	47.2
1965	914 506	417 978	173 666	1 536 477	30.0	13.8	5.7	50.5
1966	1 045 490	494 541	156 826	1 822 643	29.7	14.1	4.4	51.8
1967	1 104 225	478 366	149 800	2 026 576	29.4	12.7	4.0	53.9
1968	1 287 165	581 672	186 736	2 614 221	27.5	12.5	4.0	56.0
1969 1st half	705 072	317 859	104 055	1 476 654	27.1	12.2	4.0	56.7
INGAPORE[b] (*Singapore dollar*)								
1963	1 259	1 302	296	441	38.2	39.5	9.0	13.3
1964	1 401	891	308	368	47.2	30.0	10.4	12.4
1965	1 113	950	350	403	39.5	33.8	12.4	14.3
1966	1 123	1 082	428	409	36.9	35.6	14.1	13.4
1967	1 351	1 084	456	368	41.4	33.3	14.0	11.3
1968	1 421	1 288	569	345	39.3	35.5	15.7	9.5
1969 1st half	767	848	299	187	36.5	40.4	14.2	8.9

GENERAL NOTE: See table 21.

a. The trade for the period January-May 1966 has been revalued at the new rate of 7.50 rupees per U.S.$ introduced in June 1966 (prior to 1966: the trade is valued at the rate of 4.76 rupees per U.S.$).

b. Beginning 1964, excluding trade with Indonesia.

EXTERNAL TRADE

23. VALUE OF IMPORTS BY PRINCIPAL COMMODITY GROUPS

Monthly averages or calendar months

	1967	1968	1968 I	1968 II	1968 III	1968 IV	1969 I	1969 II	1969 III	1969 Sep	1969 Oct	1969 Nov	1969 Dec
AFGHANISTAN* *(million afghanis)*													
Food	159.8	93.2	...	...	...	...	...	...	...	...	...	...	...
Wheat	—	—	...	...	...	...	...	...	...	...	...	...	...
Sugar	32.9	5.8	...	...	...	...	...	...	...	...	...	...	...
Tea	30.4	58.8	...	...	...	...	...	...	...	...	...	...	...
Mineral fuels, lubricants and related materials	33.7	39.8	...	...	...	...	...	...	...	...	...	...	...
Chemicals	30.1	30.9	...	...	...	...	...	...	...	...	...	...	...
Textile fabrics	54.6	57.0	...	...	...	...	...	...	...	...	...	...	...
Machinery & transport equipment	52.0	50.0	...	...	...	...	...	...	...	...	...	...	...
AUSTRALIA *(million Australian dollars)*[a]													
Food	10.06	10.36	10.60	9.62	10.97	10.23	11.02	10.42	11.42	13.40	11.72	9.96	...
Beverages and tobacco	3.10	3.52	3.15	3.40	3.43	4.09	3.66	3.44	3.28	3.88	6.20	4.92	...
Crude materials, inedible, except fuels	17.51	19.85	18.34	20.34	21.62	19.10	16.68	18.74	21.34	20.51	22.86	19.37	...
Mineral fuels, lubricants and related materials	20.10	20.53	19.23	21.81	19.99	21.11	21.17	21.57	22.01	19.43	24.89	24.21	...
Petroleum, crude and partly refined	17.58	16.13	16.89	18.61	17.50	11.50	14.86	25.80	17.68	15.02	19.56	19.13	...
Chemicals	24.89	27.92	27.63	26.88	28.36	28.83	25.14	20.68	29.90	31.12	33.26	28.52	...
Textiles	20.77	21.56	20.93	20.70	22.62	21.98	21.24	16.85	24.50	24.72	25.71	22.65	...
Base metals and manufactures	14.64	16.73	16.11	16.55	16.75	17.51	16.83	10.76	16.59	16.44	18.00	15.69	...
Machinery	63.37	68.29	73.09	67.22	71.44	65.38	64.33	63.60	77.11	73.14	83.75	70.32	...
Transport equipment	34.52	44.07	38.08	41.84	46.45	49.93	33.67	21.90	50.20	49.20	51.92	48.94	...
Other manufactured goods	37.83	42.92	41.50	39.83	46.89	43.45	40.14	36.26	50.83	51.87	54.33	48.36	...
BRUNEI *(million Malaysian dollars)*													
Food	2.29	2.65	...	...	...	...	...	...	...	...	...	...	...
Mineral fuels, lubricants and related materials	0.27	0.33	...	...	...	...	...	...	...	...	...	...	...
Chemicals	0.55	0.78	...	...	...	...	...	...	...	...	...	...	...
Textiles	0.16	0.21	...	...	...	...	...	...	...	...	...	...	...
Machinery	1.99	5.27	...	...	...	...	...	...	...	...	...	...	...
Transport equipment	1.12	1.84	...	...	...	...	...	...	...	...	...	...	...
Other manufactured goods	3.28	4.68	...	...	...	...	...	...	...	...	...	...	...
BURMA *(million kyats)*													
Food	4.0	2.3	2.6	2.3	2.3	2.1	...	...	...	...	...	...	...
Chemicals	3.8	6.2	2.2	9.7	6.1	6.7	...	...	...	...	...	...	...
Textiles	6.4	6.2	3.4	8.3	9.0	4.0	...	...	...	...	...	...	...
Base metals and manufactures	5.0	5.8	6.1	4.4	6.9	5.6	...	...	...	...	...	...	...
Machinery	10.6	10.9	11.1	6.6	12.1	13.9	...	...	...	...	...	...	...
Transport equipment	4.5	3.5	2.3	3.2	5.4	3.2	...	...	...	...	...	...	...
Other manufactured goods	5.3	...	4.5	6.5	...	...	...	...	...	...	...	...	...
CAMBODIA *(million riels)*													
Food	19.1	17.5	19.0	24.1	16.1	10.8	22.1	...	...	...	...	...	...
Beverages and tobacco	3.3	3.1	3.2	3.1	2.9	3.5	2.6	...	...	...	...	...	...
Mineral fuels, lubricants and related materials	36.2	33.3	42.4	39.3	24.2	27.3	34.7	...	...	...	...	...	...
Textiles	25.2	32.3	35.0	42.1	23.6	28.5	25.1	...	...	...	...	...	...
Base metals and manufactures	38.0	50.5	64.5	46.4	51.2	39.8	46.6	...	...	...	...	...	...
Machinery	52.9	50.9	64.7	40.8	44.0	54.0	60.5	...	...	...	...	...	...
Transport equipment	21.6	29.5	32.9	34.6	20.8	29.7	51.3	...	...	...	...	...	...
CEYLON *(million rupees)*													
Food	65.4	82.6	99.1	95.2	80.8	55.3	...	...	...	...	...	...	...
Cereals and cereal preparations	37.3	50.4	69.6	53.2	52.8	26.2	...	...	...	...	...	...	...
Mineral fuels, lubricants and related materials	10.2	16.7	12.9	17.4	15.7	20.7	...	...	...	...	...	...	...
Chemicals	13.6	17.9	21.8	11.4	15.4	23.2	...	...	...	...	...	...	...
Textiles	10.5	13.2	11.4	15.4	11.5	14.6	...	...	...	...	...	...	...
Machinery	14.0	15.7	15.6	13.5	16.9	16.5	...	...	...	...	...	...	...
Transport equipment	6.9	7.0	7.7	6.6	8.4	5.3	...	...	...	...	...	...	...
Other manufactured goods	19.0	23.9	26.6	18.6	23.9	26.6	...	...	...	...	...	...	...
CHINA (Taiwan) *(million new Taiwan dollars)*													
Food	178.0	259.6	...	...	...	...	...	...	...	...	...	...	...
Crude materials, inedible, except fuels	604.3	660.8	...	...	...	...	...	...	...	...	...	...	...
Oil-seeds, oil nuts and oil kernels	152.2	169.7	...	...	...	...	...	...	...	...	...	...	...
Textile fibres, raw	227.9	233.1	...	...	...	...	...	...	...	...	...	...	...
Mineral fuels, lubricants and related materials	113.3	195.0	...	...	...	...	...	...	...	...	...	...	...
Chemicals	329.2	340.9	...	...	...	...	...	...	...	...	...	...	...
Base metals and manufactures	260.5	300.6	...	...	...	...	...	...	...	...	...	...	...
Machinery	655.2	731.3	...	...	...	...	...	...	...	...	...	...	...
Transport equipment	240.9	271.4	...	...	...	...	...	...	...	...	...	...	...
Other manufactured goods	250.3	229.2	...	...	...	...	...	...	...	...	...	...	...

23. VALUE OF IMPORTS BY PRINCIPAL COMMODITY GROUPS (*Cont'd*)

Monthly averages or calendar months

	1967	1968	1968 I	1968 II	1968 III	1968 IV	1969 I	1969 II	1969 III	1969 Sep	1969 Oct	1969 Nov	1969 Dec
FIJI *(million Fijian dollars)*													
Food	1.06	1.11	0.86	1.15	1.23	1.21	1.02	1.30	1.45	...	...	...	...
Mineral fuels, lubricants and related materials	0.52	0.61	0.55	0.70	0.61	0.58	0.79	0.61	0.66	...	...	...	...
Chemicals	0.33	0.42	0.28	0.49	0.51	0.39	0.32	0.51	0.44	...	...	...	...
Machinery	0.65	0.79	0.98	1.47	1.21	1.40	1.45	1.38	1.30	...	...	...	...
Transport equipment	0.36	0.48											
Other manufactured goods	1.53	1.94	1.68	2.13	1.95	2.00	2.57	2.21	2.48	...	...	...	...
HONG KONG[b] *(million Hong Kong dollars)*													
Food	176.3	186.0	188.7	180.0	172.1	203.3	179.6	193.3	209.5	236.6	257.8	230.8	260.6
Live animals, chiefly for food	30.4	29.5	26.9	28.1	30.5	32.6	27.9	38.6	38.8	44.4	45.4	50.5	45.4
Cereals and cereal preparations	51.4	47.7	56.7	55.2	36.7	42.0	44.5	44.9	46.7	55.3	54.9	58.5	50.2
Fruits and vegetables	31.1	36.1	33.7	30.0	38.2	42.4	31.8	35.9	37.8	48.9	55.7	40.0	45.8
Beverages and tobacco	16.5	17.3	16.1	16.7	16.9	19.6	19.0	19.8	23.9	24.5	19.2	23.7	21.0
Crude materials, inedible, except fuels	69.2	93.2	91.1	86.1	94.5	101.1	80.7	82.6	79.7	77.9	84.0	97.3	101.4
Raw cotton	34.9	52.3	50.9	48.0	53.9	56.2	40.1	34.8	43.5	56.5	35.3	44.2	...
Mineral fuels, lubricants and related materials	28.8	32.6	25.6	32.3	38.5	34.0	40.1	30.3	36.2	41.9	38.9	29.7	50.9
Chemicals	45.8	56.6	43.5	54.2	63.9	64.4	53.6	60.7	69.9	74.3	85.7	68.0	69.5
Textiles	93.2	140.9	113.6	135.2	150.1	164.9	149.4	183.3	166.7	164.1	224.2	213.5	216.9
Machinery	88.0	107.2	93.1	105.3	106.7	123.8	111.1	147.1	151.7	156.5	154.8	183.5	178.2
Transport equipment	12.0	14.6	17.1	14.4	12.9	13.9	18.8	19.9	16.5	15.5	25.3	32.4	29.7
Other manufactured goods	161.0	205.9	171.2	196.8	205.8	249.8	178.1	265.0	256.3	256.7	274.9	311.7	311.1
INDIA *(million rupees)*													
Food	548.1	356.7	430.6	384.9	361.1	250.0	347.5	285.7	338.5	255.9	242.4	178.8	...
Crude materials, inedible, except fuels	176.9	154.1	140.8	199.5	135.1	140.8	157.5	124.4	186.1	255.2	198.4	111.3	...
Cotton raw and waste	78.1	78.2	60.1	131.0	85.4	36.4	47.8	46.6	93.4	170.4	121.1	34.2	...
Petroleum and products	63.2	67.6	44.0	117.7	47.6	61.1	52.7	41.3	65.4	57.3	43.4	59.4	...
Chemicals	201.9	262.5	265.0	236.8	285.3	262.8	153.1	114.7	169.9	157.7	253.4	159.5	...
Base metals and manufactures	196.8	150.2	133.0	165.6	159.5	142.5	160.5	111.5	135.1	119.6	74.0	121.1	...
Machinery	371.5	379.4	370.3	461.1	324.3	362.0	356.2	300.2	280.4	224.6	292.5	268.1	...
Transport equipment	61.6	60.6	76.4	60.1	55.3	50.5	52.0	37.3	36.3	31.5	49.7	20.5	...
Other manufactured goods	64.6	66.4	60.9	75.9	58.5	70.1	83.7	78.9	73.9	70.8	98.4	65.4	...
INDONESIA *(million US dollars)*													
Live animals, food products, beverages and tobacco	4.81	...	...	...	...	...	...	...	...	...	...	...	...
Chemicals and allied products	7.01	...	...	...	...	...	...	...	...	...	...	...	...
Textiles, apparel and footware	16.13	...	...	...	...	...	...	...	...	...	...	...	...
Base metals and manufactures	4.61	...	...	...	...	...	...	...	...	...	...	...	...
Machinery & transport equipment	14.75	...	...	...	...	...	...	...	...	...	...	...	...
IRAN* *(million rials)*[c]													
Food, beverages and tobacco	...	...	...	— 678.2 —		265.3	...	...	...	...	...	...	...
Sugar	...	...	...	44.9		16.7	...	26.6	4.1	...	...	...	...
Tea	...	...	...	63.0		69.1	...	71.8	65.2	...	...	...	...
Chemicals	...	...	...	732.4		820.4	...	708.0	634.6	...	...	...	...
Base metals and manufactures	...	...	...	1 903.4		1 646.3	...	2 124.6	1 533.3	...	...	...	...
Machinery	...	...	...	2 749.9		2 353.7	...	2 799.8	2 976.3	...	...	...	...
Transport equipment	...	...	...	927.4		912.6	...	925.1	762.2	...	...	...	...
JAPAN *(billion yen)*													
Food	51.99	54.36	50.44	56.99	52.27	57.74	54.46	60.59	63.65	69.48	66.52	70.10	67.18
Cereals and cereal preparations	26.55	25.55	24.45	26.58	25.65	25.51	23.95	25.99	25.68	26.92	27.69	27.72	27.77
Sugar and sugar preparations	5.35	6.36	7.42	7.40	4.92	5.72	8.16	6.73	7.13	8.68	7.71	9.54	7.13
Crude materials, inedible, except fuels	133.27	144.48	136.21	150.23	142.02	149.44	141.77	156.69	169.02	170.45	182.86	159.47	176.66
Oil-seeds, oil nuts & oil kernels	12.45	12.58	13.09	12.65	11.89	12.68	12.03	13.02	12.55	13.54	12.06	12.64	14.52
Crude rubber	3.95	3.95	3.22	3.31	4.47	4.81	4.35	4.50	5.07	5.93	6.78	6.51	5.44
Textile fibres, raw	26.93	28.55	27.74	32.15	26.51	27.78	28.07	28.62	27.86	26.58	26.96	23.65	29.42
Metal ores and scrap	48.01	49.47	47.39	49.37	48.51	52.60	49.54	54.73	64.96	65.95	72.50	61.31	68.29
Mineral fuels, lubricants and related materials	67.18	80.25	77.10	78.75	80.22	84.93	86.94	85.58	90.25	90.46	103.19	95.57	108.76
Chemicals	18.32	20.69	19.92	18.86	20.83	23.17	22.25	23.23	23.35	23.28	25.58	23.87	25.97
Machinery	24.33	31.55	32.52	31.03	30.66	31.99	48.05	21.39	41.04	38.07	40.30	40.35	45.28
Transport equipment	4.81	5.24	4.56	6.86	3.23	6.32	10.02	5.50	7.35	9.74	3.40	4.66	6.30
Other manufactured goods	45.20	48.02	45.94	43.94	46.72	55.50	55.54	56.81	66.17	70.30	73.01	73.58	70.39
KOREA, Republic of *(million US dollars)*													
Food	7.84	13.96	14.18	16.88	10.27	14.53	7.99	14.88	41.08	30.55	10.32	60.60	...
Cereals and cereal preparations	6.38	10.78	11.59	14.61	7.66	9.26	4.62	10.46	37.44	27.51	5.78	53.69	...
Beverages and tobacco	0.07	0.12	0.08	0.07	0.22	0.10	0.05	0.16	0.24	0.07	0.08	0.06	...
Crude materials, inedible, except fuels	17.37	22.26	18.60	19.63	22.60	29.30	25.54	27.54	26.52	26.46	31.88	30.75	...
Chemicals	9.42	10.70	9.19	11.79	11.38	11.06	9.16	12.74	11.15	10.91	11.80	10.86	...
Textiles	5.80	8.56	7.02	9.77	7.88	9.58	8.76	9.78	7.98	7.34	9.91	8.70	...
Machinery	15.73	31.57	21.65	32.05	35.63	36.97	27.72	34.40	41.92	40.33	23.45	31.12	...
Transport equipment	10.12	12.86	13.18	13.13	11.61	13.51	10.32	18.77	15.94	18.37	13.15	7.07	...
Other manufactured goods	10.94	14.86	11.33	12.53	15.19	20.38	17.76	17.65	19.22	19.05	19.40	16.88	...

23. VALUE OF IMPORTS BY PRINCIPAL COMMODITY GROUPS (*Cont'd*)

Monthly averages or calendar months

	1967	1968	1968 I	1968 II	1968 III	1968 IV	1969 I	1969 II	1969 III	1969 Sep	1969 Oct	1969 Nov	1969 Dec
LAOS *(million kips)*													
Food	297.0	291.9	181.3	197.9	281.7	506.6	253.2	...	...	...	...	...	...
Cereals and cereal preparations	225.4	195.9	96.6	76.8	200.3	409.7	169.8	...	...	...	...	...	...
Petroleum products	187.4	90.8	84.3	129.1	82.2	67.6	311.0	...	...	...	...	...	...
Chemicals	37.5	60.4	57.3	61.4	57.3	67.4	81.6	...	...	...	...	...	...
Textiles	32.4	37.9	25.4	31.9	36.2	58.2	56.1	...	...	...	...	...	...
Machinery	68.4	120.3	143.8	142.4	114.0	81.9	103.4	...	...	...	...	...	...
Transport equipment	125.8	140.2	155.3	142.9	138.7	124.0	147.0	...	...	...	...	...	...
Other manufactured goods	152.5	198.7	212.8	181.7	191.4	209.1	264.4	...	...	...	...	...	...
MALAYSIA *(million Malaysian dollars)*													
EAST MALAYSIA													
SABAH													
Food	5.68	5.61	5.32	5.75	5.72	5.66	— 5.74 —		...	...	...	...	...
Mineral fuels, lubricants and related materials	2.01	2.32	2.25	2.08	2.44	2.49	2.00		...	...	...	...	...
Chemicals	1.41	1.62	1.36	1.70	1.72	1.68	1.79		...	...	...	...	...
Textiles	0.62	0.69	0.52	0.66	0.74	0.83	0.70		...	...	...	...	...
Machinery	5.57	6.22	5.48	6.89	6.10	6.42	7.01		...	...	...	...	...
Transport equipment	2.32	2.58	2.17	3.46	2.24	2.46	3.42		...	...	...	...	...
Other manufactured goods	5.66	6.23	5.16	5.90	6.92	6.93	13.30		...	...	...	...	...
SARAWAK													
Food	7.92	7.38	7.34	6.89	7.82	7.49	8.21	7.62	8.12	...	...	...	...
Mineral fuels, lubricants and related materials	21.08	23.91	23.39	25.07	23.74	23.45	22.94	22.96	22.45	...	...	...	...
Chemicals	1.93	2.04	1.48	1.95	2.38	2.34	2.01	2.16	2.75	...	...	...	...
Textiles	0.58	0.63	0.57	0.64	0.67	0.66	0.58	0.67	0.66	...	...	...	...
Machinery	4.20	3.75	4.30	3.67	3.45	3.60	2.42	2.87	4.17	...	...	...	...
Transport equipment	1.70	1.80	1.58	1.73	1.92	1.97	1.88	1.94	1.93	...	...	...	...
Other manufactured goods	4.93	5.15	3.57	5.43	5.68	5.90	4.70	5.00	6.32	...	...	...	...
WEST MALAYSIA													
Food	51.9	52.6	55.6	54.9	52.1	48.0	42.1	...	...	...	...	...	...
Cereals and cereal preparations	22.7	22.5	24.5	25.1	23.1	17.4	14.0	...	...	...	...	...	...
Crude materials, inedible, except fuels	13.8	23.3	16.4	19.3	27.0	30.6	23.0	...	...	...	...	...	...
Metal ores and scrap	3.5	13.1	6.4	9.4	17.0	19.7	9.6	...	...	...	...	...	...
Mineral fuels, lubricants and related materials	15.4	17.5	15.5	16.9	21.6	16.0	15.4	...	...	...	...	...	...
Textiles	11.0	13.7	12.1	12.0	14.4	16.3	12.1	...	...	...	...	...	...
Machinery	30.3	30.8	29.7	30.6	31.6	31.5	25.7	...	...	...	...	...	...
Transport equipment	17.6	21.3	20.9	19.8	22.2	22.1	22.8	...	...	...	...	...	...
Other manufactured goods	45.0	43.4	41.7	44.5	41.3	45.9	37.9	...	...	...	...	...	...
NEW ZEALAND *(million New Zealand dollars)*[d]													
Food	2.52	2.92	— 2.79 —		2.99	3.12	2.53	2.67	3.87	...	...	...	...
Wheat	0.28	0.09	0.13		0.09	—	—	—	—	...	...	...	...
Sugar and sugar preparations	0.47	0.57	0.55		0.59	0.57	0.51	1.16	0.90	...	...	...	...
Tea	0.39	0.49	0.43		0.55	0.53	0.38	0.32	0.38	...	...	...	...
Beverages and tobacco	0.62	0.94	0.77		1.14	1.11	0.74	0.53	0.63	...	...	...	...
Crude materials, inedible, except fuels	2.70	3.29	2.78		3.62	3.98	3.49	3.56	5.26	...	...	...	...
Mineral fuels, lubricants and related materials	3.51	4.62	4.74		4.49	4.52	5.10	4.67	4.68	...	...	...	...
Chemicals	5.85	8.11	7.09		9.38	8.88	7.51	8.39	10.47	...	...	...	...
Textiles	5.54	6.08	5.47		6.64	6.72	6.09	6.54	8.53	...	...	...	...
Base metals and manufactures	8.16	9.76	8.66		10.40	11.33	9.95	9.43	12.53	...	...	...	...
Machinery	12.09	12.13	11.03		13.61	12.86	12.25	14.03	15.70	...	...	...	...
Transport equipment	6.53	6.78	5.51		8.29	7.80	8.01	7.53	8.99	...	...	...	...
Other manufactured goods	5.58	6.94	5.81		8.27	7.89	7.00	7.28	9.65	...	...	...	...
PAKISTAN *(million rupees)*													
Food	76.2	57.8	78.5	36.1	48.7	68.0	20.9	48.2	9.2	8.9	14.3	18.2	...
Wheat and spelt (incl. meslin)	58.3	35.4	54.9	29.5	24.3	32.8	10.6	33.3	—	—	—	—	...
Crude materials, inedible, except fuels	15.4	14.3	12.7	15.8	15.4	13.2	15.6	16.9	14.5	21.0	16.3	17.3	...
Textile fibres	3.9	4.3	2.8	7.3	4.0	3.2	2.8	2.8	3.1	4.3	3.4	5.7	...
Mineral fuels, lubricants and related materials	24.9	26.0	23.5	28.6	25.1	26.7	23.8	27.7	23.5	25.2	21.0	16.5	...
Animal and vegetable oils and fats	16.2	16.0	10.6	21.9	25.1	6.5	9.5	6.5	13.2	22.3	14.1	4.1	...
Chemicals	47.9	48.5	33.9	49.2	59.6	51.4	47.1	51.1	58.3	50.6	62.1	64.0	...
Textiles	7.1	5.7	5.7	5.5	5.9	5.7	3.8	3.6	3.1	2.3	3.3	3.4	...
Base metals and manufactures	68.8	58.6	49.6	59.7	60.8	64.4	47.6	106.7	63.8	50.4	46.7	46.8	...
Machinery	116.4	112.3	125.3	105.8	108.4	109.8	116.9	141.0	136.6	105.2	131.7	105.5	...
Transport equipment	39.6	29.6	28.1	29.8	42.1	18.4	35.3	32.8	56.0	39.4	47.4	20.4	...
Other manufactured goods	23.2	25.1	23.1	25.4	25.2	26.8	68.8	12.8	26.7	24.2	32.0	21.0	...

23. VALUE OF IMPORTS BY PRINCIPAL COMMODITY GROUPS (*Cont'd*)

Monthly averages or calendar months

	1967	1968	1968				1969						
			I	II	III	IV	I	II	III	Sep	Oct	Nov	Dec
PHILIPPINES *(million US dollars)*[a]													
Food	13.34	11.48	13.02	9.82	11.39	10.01	10.08	9.66	...	...	...	...	...
Cereals and cereal preparations	7.07	3.39	4.09	3.25	3.70	2.55	2.63	2.53	...	...	...	...	...
Mineral fuels, lubricants and related materials	7.81	8.82	8.37	9.09	8.85	8.95	8.87	8.77	...	...	...	...	...
Chemicals	8.05	9.11	8.60	9.29	9.02	9.52	9.48	10.08	...	...	...	...	...
Textiles	2.65	3.63	2.48	3.42	3.94	4.69	2.62	3.02	...	...	...	...	...
Machinery	23.01	24.93	21.79	21.89	32.72	23.30	25.06	25.75	...	...	...	...	...
Transport equipment	10.86	11.99	10.94	12.52	12.92	11.59	11.01	9.94	...	...	...	...	...
Other manufactured goods	17.13	18.47	19.31	19.25	18.82	17.92	18.98	22.41	...	...	...	...	...
SINGAPORE *(million Singapore dollars)*[e]													
Food	67.6	74.1	80.2	81.6	69.1	65.4	76.0	74.3	76.4	85.4	87.2	70.8	...
Cereals and cereal preparations	18.3	21.4	27.7	25.7	16.7	15.4	17.1	15.4	...	...	...	...	...
Crude materials, inedible and except fuels	53.1	49.5	50.4	42.3	51.0	54.4	64.8	59.8	86.5	90.2	84.7	73.9	...
Crude rubber	38.1	32.9	34.3	25.2	34.0	38.3	46.9	41.2	...	...	...	...	...
Mineral fuels, lubricants and related materials	61.6	72.9	77.9	69.5	75.5	69.0	82.2	76.4	78.6	83.1	91.0	81.7	...
Textiles	33.3	49.3	34.6	45.7	61.5	55.5	52.9	54.5	...	...	...	...	...
Machinery	35.6	41.3	33.2	45.9	44.4	41.8	44.0	62.1	...	...	...	...	...
Transport equipment	12.9	21.0	12.9	33.1	17.1	22.1	16.2	26.1	...	...	...	...	...
Other manufactured goods	65.0	72.8	67.4	71.9	73.2	77.6	73.8	79.6	...	...	...	...	...
THAILAND *(million baht)*[f]													
Food	86.2	92.4	87.5	94.2	95.0	84.7	125.4	88.8	...	...	...	...	...
Mineral fuels, lubricants and related materials	132.4	116.3	166.2	172.9	161.9	143.9	101.3	102.2	...	...	...	...	...
Chemicals	219.1	238.5	230.2	266.4	229.6	223.0	252.9	294.1	...	...	...	...	...
Textiles	156.2	137.8	142.2	132.3	111.3	152.1	136.5	109.1	...	...	...	...	...
Machinery	406.3	476.4	466.0	465.5	474.6	484.4	502.9	511.3	...	...	...	...	...
Transport equipment	237.7	258.7	225.1	246.7	278.0	260.2	271.0	280.8	...	...	...	...	...
Other manufactured goods	478.0	494.4	474.2	484.3	478.6	528.9	554.8	...	...	...	...	...	...
VIET-NAM, Republic of *(million piastres)*													
Food	303.1	382.3	314.6	244.4	479.9	490.1	547.7	478.5	389.3	361.0	...	...	...
Petroleum and products	189.1	205.5	82.1	245.5	190.7	303.7	169.0	65.2	378.7	2.4	...	...	...
Textile fabrics	298.4	151.5	104.1	85.1	86.7	329.9	365.2	235.8	146.8	120.9	...	...	...
Machinery	710.5	463.7	449.4	450.0	403.9	551.4	630.1	660.5	670.2	554.0	...	...	...
Transport equipment	489.1	354.7	247.4	212.5	269.6	689.4	604.2	362.5	269.3	180.1	...	...	...
WESTERN SAMOA *(thousand tala)*[g]													
Food	153	*159*	...	...	...	...	...	...	...	...	...	...	...
Beverages and tobacco	32	*28*	...	...	...	...	...	...	...	...	...	...	...
Crude materials, inedible and except fuels	17	*13*	...	...	...	...	...	...	...	...	...	...	...
Mineral fuels, lubricants and related materials	22	*21*	...	...	...	...	...	...	...	...	...	...	...
Chemicals	29	*32*	...	...	...	...	...	...	...	...	...	...	...
Textiles	33	*47*	...	...	...	...	...	...	...	...	...	...	...
Machinery	41	*29*	...	...	...	...	...	...	...	...	...	...	...
Transport equipment	26	*25*	...	...	...	...	...	...	...	...	...	...	...
Other manufactured goods	98	*111*	...	...	...	...	...	...	...	...	...	...	...

GENERAL NOTE: See table 19.

a. Imports valued f.o.b.

b. Net imports (imports less re-exports).

c. Including the value of exchange certificates.

d. Current domestic value in the exporting country.

e. Excluding trade with Indonesia.

f. Excluding military aid goods.

g. Imports valued f.o.b. in the country of exports plus 10% and are in terms of the tala introduced on 10 July 1967 with a value of 0.5 Western Samoan £.

24. VALUE OF EXPORTS BY PRINCIPAL COMMODITIES AND/OR COMMODITY GROUPS

Monthly averages or calendar months

	1967	1968	1968				1969						
			I	II	III	IV	I	II	III	Sep	Oct	Nov	Dec
AFGHANISTAN* *(million afghanis)*													
Fruits and nuts, fresh and dried	163.9	167.0	...	...	...	...	...	...	...	...	...	...	...
Hides, skins and fur skins, undressed	103.5	65.7	...	...	...	...	...	...	...	...	...	...	...
Wool	30.6	43.4	...	...	...	...	...	...	...	...	...	...	...
Raw cotton	49.5	36.5	...	...	...	...	...	...	...	...	...	...	...
Carpets and rugs	32.6	28.1	...	...	...	...	...	...	...	...	...	...	...
AUSTRALIA *(million Australian dollars)*													
Food	99.68	82.33	76.36	84.45	86.18	82.32	79.42	85.60	110.16	98.58	103.06	95.81	98.42
Wheat	37.35	21.29	22.90	23.48	21.06	17.70	25.16	22.22	32.26	26.69	33.02	22.26	28.37
Crude materials, inedible, except fuels	87.89	93.96	90.27	92.45	79.86	113.26	113.60	107.03	99.45	79.24	133.11	122.91	114.56
Wool	62.70	62.07	63.50	62.21	46.90	75.67	78.16	64.02	52.93	36.63	70.94	71.53	69.16
Mineral fuels, lubricants and related materials	9.13	11.52	9.93	12.16	12.02	11.97	11.27	13.23	15.95	14.52	14.97	16.72	18.40
Chemicals	7.05	10.16	7.46	10.64	9.91	12.63	9.84	14.99	13.94	22.77	10.20	12.98	6.06
Base metals and manufactures	20.61	22.20	18.19	21.71	26.32	22.58	23.62	27.60	37.99	42.01	38.93	28.85	29.65
Machinery	7.06	7.31	5.71	7.30	8.43	7.80	6.52	8.22	10.01	9.56	12.39	9.28	9.74
Transport equipment	5.17	6.88	6.92	7.36	6.57	6.68	6.73	7.13	9.29	8.48	19.72	8.80	15.50
Other manufactured goods	8.37	11.58	8.17	12.71	12.86	12.60	9.49	12.00	12.24	10.83	15.18	10.87	12.45

EXTERNAL TRADE

24. VALUE OF EXPORTS BY PRINCIPAL COMMODITIES AND/OR COMMODITY GROUPS (*Cont'd*)

Monthly averages or calendar months

	1967	1968	1968 I	1968 II	1968 III	1968 IV	1969 I	1969 II	1969 III	1969 Sep	1969 Oct	1969 Nov	1969 Dec
BRUNEI *(million Malaysian dollars)*													
Crude petroleum	19.63	22.36	...	...	...	...	...	...	...	...	...	...	...
Natural rubber	0.04	0.01	...	...	...	...	...	...	...	...	...	...	...
BURMA *(million kyats)*													
Rice and products	26.4	20.1	15.0	48.3	6.6	10.6	...	27.5	...	...	...	...	...
Natural rubber	0.7	1.1	0.7	0.9	1.1	1.7	...	1.3	...	...	...	...	...
Teak	10.9	13.4	13.5	14.2	14.0	11.9	...	10.3	...	...	...	...	...
Raw cotton	0.7	0.3	0.6	0.4	0.2	—	...	—	...	...	...	...	...
Base metals and ores	1.6	1.7	1.6	1.2	2.0	2.0	...	1.4	...	...	...	...	...
CAMBODIA *(million riels)*													
Rice	107.8	108.7	59.0	163.2	143.9	68.8	41.9	...	...	...	...	...	...
Maize	12.3	13.0	11.0	6.4	3.4	31.0	4.0	...	...	...	...	...	...
Natural rubber	60.0	54.8	43.2	40.1	68.7	67.0	64.9	...	...	...	...	...	...
CEYLON *(million rupees)*													
Tea	88.4	96.7	89.3	74.7	130.9	92.1	...	...	...	...	...	...	...
Coconut and products	14.1	27.8	22.7	21.4	32.5	34.5	...	...	...	...	...	...	...
Natural rubber	23.5	27.6	29.4	18.1	31.7	31.1	...	...	...	...	...	...	...
CHINA (Taiwan) *(million new Taiwan dollars)*													
Rice	66.7	41.3	11.5	50.0	73.4	30.4	0.4	0.9	1.5	2.5	0.2	0.3	206.5
Banana	173.2	155.1	...	...	106.4	87.7	57.1	333.7	152.1	265.1	174.8	59.2	42.6
Sugar	130.7	150.6	155.3	228.9	156.8	61.4	140.5	163.3	132.7	156.8	125.5	121.0	280.6
Tea	35.4	37.6	40.0	32.2	24.7	53.5	24.4	39.9	40.5	38.1	122.6	32.4	47.5
Plywood	123.0	176.8	144.1	155.5	186.0	221.4	181.3	204.8	217.7	243.7	228.5	218.2	284.0
Cotton yarn and fabrics	157.7	159.2	124.2	142.8	200.4	209.6	166.2	169.9	192.0	173.7	221.4	185.5	341.7
Cement	81.4	46.4	54.3	42.3	42.1	46.9	38.7	37.8	25.0	19.4	7.2	13.8	40.9
Cotton clothing and articles of personal wear	44.4	75.0	42.4	149.7	58.8	49.3	41.7	40.5	56.3	32.5	37.0	26.0	91.9
FIJI *(million Fijian dollars)*													
Sugar	1.98	2.07	0.49	0.29	3.44	4.07	0.86	2.51	2.84	...	...	...	...
Coconut oil	0.24	0.40	0.31	0.34	0.53	0.40	0.22	0.36	0.55	...	...	...	...
HONG KONG[a] *(million Hong Kong dollars)*													
Food	12.7	15.8	13.1	16.4	15.1	18.6	13.7	15.0	20.2	26.9	23.2	20.9	18.5
Crude materials, inedible, except fuels	10.4	11.7	11.1	12.2	11.5	12.1	11.5	15.0	13.3	17.9	14.2	20.8	19.4
Chemicals	5.2	6.7	4.9	6.3	6.8	8.7	6.6	7.5	9.2	12.9	10.3	11.4	9.2
Textiles	78.0	86.3	77.4	81.0	89.8	96.8	77.5	84.1	94.4	111.3	127.5	118.8	112.1
Base metals and manufactures	22.2	25.9	21.3	25.0	27.3	30.1	26.2	27.7	30.0	37.0	34.0	40.6	37.7
Machinery	52.2	69.1	49.5	61.2	74.1	91.8	72.1	84.3	98.7	108.4	123.3	122.4	107.9
Transport equipment	3.6	4.0	4.9	3.9	3.8	3.4	4.8	4.2	3.3	1.8	8.3	5.4	3.8
Clothing, except fur clothing	192.7	250.5	189.1	232.6	270.1	310.3	276.2	304.9	346.2	384.6	376.1	366.2	302.1
Other manufactured goods	176.7	228.1	184.0	220.7	256.9	250.8	300.8	352.4	413.5	473.2	495.6	371.2	308.3
INDIA *(million rupees)*													
Food	307.4	307.6	287.9	249.1	368.7	324.8	271.2	250.3	316.7	323.1	346.4	217.4	297.2
Sugar	9.9	8.4	22.1	6.9	0.1	4.4	23.1	9.8	5.5	2.8	0.4	0.2	12.1
Tea	157.5	138.7	110.0	62.4	216.3	166.2	76.8	61.4	145.7	147.2	170.5	72.8	110.5
Spices	22.2	23.7	34.2	20.2	14.0	26.4	23.2	17.9	15.6	29.1	38.8	18.9	41.0
Oilseed cake and meal	37.7	42.5	49.8	50.0	31.1	39.0	44.9	31.7	29.7	21.4	29.5	32.6	39.0
Crude materials, inedible, except fuels	166.9	173.1	187.6	171.8	157.0	175.8	201.9	180.7	170.5	178.9	160.4	172.6	210.3
Hides and skins, undressed	9.6	4.3	4.7	3.0	3.9	5.6	4.3	9.5	7.7	6.1	6.5	4.7	4.8
Cotton raw and waste	16.0	15.0	20.3	14.5	17.0	8.2	12.7	16.6	13.9	9.0	6.0	7.9	19.9
Iron ore and concentrates	60.6	72.1	80.1	74.3	53.4	80.5	86.5	62.7	66.2	77.8	69.0	87.1	77.6
Vegetable oils	2.2	9.9	6.1	19.7	10.2	3.8	5.4	4.4	4.5	10.7	2.1	2.2	0.6
Chemicals	13.4	17.4	11.2	15.3	21.9	21.2	20.6	22.5	26.8	32.6	24.3	23.5	23.0
Leather and manufactures	46.1	54.8	38.8	66.2	51.7	62.7	61.5	78.1	65.6	74.5	51.8	82.9	63.6
Cotton yarn and fabrics	62.3	69.7	65.8	61.0	78.4	73.7	72.7	76.0	83.9	99.5	82.4	77.5	95.7
Jute yarn and fabrics	141.5	136.5	136.0	120.5	143.5	146.0	159.3	157.4	134.7	114.0	128.1	163.3	144.7
Other manufactured goods	205.1	249.0	197.3	215.7	296.1	287.0	269.7	278.0	278.7	285.6	298.9	246.2	283.8
INDONESIA *(million US dollars)*[b]													
Tea	8.0	1.28	1.29	1.48	—	1.17	—	1.14	0.70	0.37	0.30	0.10	0.20	0.20
Copra and copra cake	13.9	2.18	1.69	3.50	1.77			0.88	0.63	0.33	0.40	0.90	1.10	1.40
Natural rubber	140.5	13.82	13.42	14.76	13.56			12.38	15.87	17.30	16.20	15.00	14.70	14.10
Tin ore	40.7	3.04	1.14	4.61	3.21			1.52	1.57	2.27	2.50	2.90	2.30	3.00
Petroleum and products	199.7	24.28	20.03	23.38	26.85			28.56	30.50	30.73	27.90	35.70	33.00	37.40
IRAN* *(million rials)*													
Edible fruits	133.8	...	...	—	75.1	—	259.1	...	196.9	135.8	...	...	...	...
Raw cotton	237.2	...	357.2	74.1	5.2	412.0		...	248.9	66.2	...	...	...	...
Petroleum and products	11 121.2	...	8 944.2	9 040.5	12 659.3	11 915.6		...	10 966.3	12 718.9	...	...	...	...
Carpets, hand made	309.8	...	398.1	288.9	383.2	405.3		...	333.2	410.7	...	...	...	...
JAPAN *(billion yen)*													
Food	10.84	12.54	12.32	10.18	12.75	14.92		12.10	20.00	19.70	18.86	14.42	14.77	16.07
Fish and fish preparations	7.30	8.43	8.55	6.29	8.76	10.14		6.31	6.89	9.79	11.26	10.03	9.31	10.20
Crude materials, inedible, except fuels	6.31	7.31	6.16	7.33	7.28	8.49		7.20	8.08	8.78	8.52	8.78	9.03	11.84
Textile fibres, raw	4.16	4.64	3.91	4.73	4.53	5.40		4.43	4.94	5.34	5.17	5.50	5.68	7.58
Chemicals	20.53	24.16	17.84	24.91	26.26	27.62		23.97	27.02	35.02	36.02	35.93	31.58	40.94
Textiles	36.88	43.06	31.66	41.33	45.00	54.26		42.02	48.29	50.55	50.93	52.04	52.17	67.97
Base metals and manufactures	53.36	70.08	57.64	70.09	73.66	78.94		72.21	83.21	92.24	98.51	93.12	94.01	125.73
Machinery	62.51	80.66	60.88	77.51	84.60	99.66		83.44	102.77	114.54	115.23	119.28	111.73	140.85
Transport equipment	52.00	67.07	62.49	65.17	66.83	73.78		79.28	71.97	77.92	84.32	79.19	78.44	106.96
Other manufactured goods	67.46	80.50	61.62	80.05	86.42	93.89		78.11	98.77	104.08	101.50	103.58	96.84	120.12

24. VALUE OF EXPORTS BY PRINCIPAL COMMODITIES AND/OR COMMODITY GROUPS (*Cont'd*)

Monthly averages or calendar months

	1967	1968	1968 I	1968 II	1968 III	1968 IV	1969 I	1969 II	1969 III	1969 Sep	1969 Oct	1969 Nov	1969 Dec
KOREA, Republic of *(million US dollars)*													
Food	3.16	3.71	2.32	5.48	3.00	4.03	2.00	5.42	4.25	4.54	3.76	4.17	...
Crude materials, inedible, except fuels	4.83	5.13	4.45	4.47	4.93	6.66	4.34	5.62	5.94	6.81	7.54	6.78	...
Chemicals	0.20	0.26	0.06	0.04	0.14	0.80	0.15	0.14	0.41	0.44	3.13	2.43	...
Manufactured goods	16.55	25.82	18.83	26.55	28.31	29.61	26.38	38.45	35.91	31.90	31.02	33.27	...
LAOS *(million kips)*													
Wood and lumber	27.87	32.03	16.01	30.99	48.20	32.91	23.33	22.07	...	...	...	...	...
Tin ore	41.47	67.17	86.07	38.62	55.45	88.56	52.89	23.11	...	...	...	...	...
Gums and resins	2.04	0.32	—	0.44	—	0.86	0.07	—	...	...	...	...	...
Plants for use in medicine and perfumery	0.94	0.53	1.48	0.20	0.02	0.45	1.47	0.60	...	...	...	...	...
MALAYSIA *(million Malaysian dollars)*													
EAST MALAYSIA													
SABAH													
Copra	0.47	0.55	0.47	0.57	0.57	0.58	— 1.12 —		...	...	...	...	...
Rubber	2.19	2.17	1.97	1.76	2.38	2.56	5.63		...	...	...	...	...
Timber	26.44	27.95	21.82	31.04	28.43	30.50	54.72		...	...	...	...	...
SARAWAK													
Pepper	2.96	2.89	1.74	2.51	4.67	2.63	2.01	3.34	8.92	...	...	...	...
Rubber	2.70	2.22	1.64	1.76	2.47	2.99	4.33	4.34	4.36	...	...	...	...
Timber, sawn and logs	11.34	15.09	13.40	15.06	14.92	16.98	14.90	17.40	15.63	...	...	...	...
Mineral fuels, lubricants and related materials	22.21	24.92	23.48	25.27	25.30	25.62	25.31	25.98	24.62	...	...	...	...
WEST MALAYSIA													
Natural rubber	101.3	108.4	97.5	92.7	115.0	128.4	149.3	137.9	184.1	174.5	...	...	...
Iron ore	10.2	9.2	2.9	14.2	14.5	5.2	2.6	13.9	16.3	19.3	...	...	...
Vegetable oils	11.1	12.9	14.4	12.2	13.3	11.6	11.0	13.7	12.7	15.2	...	...	...
Tin metal	62.0	68.4	63.9	63.8	71.1	74.6	77.3	67.6	84.3	79.8	...	...	...
NEW ZEALAND *(million New Zealand dollars)*													
Food	37.11	42.63	— 45.76 —		34.62	44.36	55.06	46.19	45.56	...	...	...	...
Meat and meat preparations	17.84	23.78	26.14		23.48	19.34	31.70	28.64	32.25	...	...	...	...
Butter	9.70	9.28	9.20		4.01	14.70	11.98	7.57	4.77	...	...	...	...
Cheese and curd	4.12	3.50	3.86		2.05	4.24	5.29	2.62	2.05	...	...	...	...
Crude materials, inedible, except fuels	17.25	23.33	26.74		19.53	20.31	34.41	34.66	25.14	...	...	...	...
Hides and skins, undressed	2.47	3.89	4.40		4.15	2.63	5.14	6.54	4.94	...	...	...	...
Wool and other animal hair	11.70	15.15	18.26		10.68	13.40	24.65	22.32	14.57	...	...	...	...
PAKISTAN *(million rupees)*													
Fish (excl. canned)	4.5	5.3	4.2	3.9	5.7	7.5	4.9	5.7	6.7	9.0	7.2	10.2	...
Raw jute	58.5	81.9	73.9	106.4	49.1	88.8	69.6	36.0	37.4	50.9	62.5	119.7	...
Raw cotton	28.0	39.6	62.9	52.0	16.8	26.9	53.4	62.1	2.8	3.0	3.6	11.8	...
Raw wool	3.1	3.4	2.4	3.8	3.7	3.7	2.8	3.7	1.8	2.1	2.8	3.9	...
Hides and skins	0.7	0.5	0.5	0.8	0.4	0.3	0.3	0.3	0.5	0.8	0.4	0.4	...
Jute fabrics	17.0	34.2	26.8	51.1	29.1	31.1	33.7	37.0	40.1	49.7	38.3	43.0	...
Bags & sacks of textile materials	23.9	26.3	25.3	35.3	23.9	21.6	21.5	22.5	24.2	25.8	25.8	22.1	...
PHILIPPINES *(million US dollars)*													
Coconut and coconut preparations	17.15	18.75	14.04	18.95	20.45	20.69	12.75	11.68	...	...	...	...	...
Sugar, centrifugal	11.81	12.00	14.70	18.65	7.36	7.30	12.69	17.70	...	...	...	...	...
Abaca	1.23	0.93	1.23	0.87	0.89	0.74	1.14	1.28	...	...	...	...	...
Copper concentrates	6.24	7.44	5.28	7.41	7.71	6.42	10.06	8.24	...	...	...	...	...
Logs and lumber	17.68	18.05	16.26	19.11	16.70	19.45	15.97	21.62	...	...	...	...	...
SINGAPORE *(million Singapore dollars)*													
Pineapples, canned	3.8	4.0	3.3	5.3	4.0	3.3	3.3	5.0	4.4	5.0	4.0	3.4	...
Coffee beans, not roasted	10.6	8.4	8.0	9.5	8.4	7.6	9.2	7.7	10.6	11.4	9.4	8.5	...
Pepper, unground	5.2	5.9	4.0	5.8	6.9	6.8	4.3	4.7	5.6	6.3	7.7	8.2	...
Crude rubber	62.9	72.4	61.1	61.8	80.6	86.0	95.1	117.3	131.8	136.7	125.5	135.0	...
Petroleum products	56.3	67.2	62.8	67.4	70.6	68.2	76.2	73.0	75.5	74.5	93.7	70.1	...
Palm oil	3.2	3.3	3.2	3.4	3.3	3.3	3.4	3.8	4.6	5.7	4.0	4.7	...
THAILAND *(million baht)*													
Rice	387.8	314.6	323.4	290.1	306.0	342.3	272.9	221.9	...	...	...	...	...
Natural rubber	131.1	151.3	155.8	127.4	118.5	203.6	265.8	194.6	193.5	57.9	...	...	...
Maize	113.0	129.7	132.5	114.5	68.4	203.1	130.0	51.0	80.2	93.6	...	...	...
Teak	16.1	14.1	14.9	15.9	12.9	12.5	13.1	15.3	14.0	16.5	...	...	...
Tin metal	151.7	117.2	135.8	134.4	123.8	106.3	125.4	132.0	144.4	167.2	...	...	...
VIET-NAM, Republic of *(million piastres)*													
Natural rubber	88.5	64.7	66.6	40.8	76.1	75.3	74.0	39.9	75.2	49.5	...	...	...
WESTERN SAMOA *(thousand tala)*[c]													
Food	144	*134*	...	...	...	...	...	...	...	...	...	...	...
Bananas	22	22	...	...	...	...	...	...	...	...	...	...	...
Coco beans	120	104	...	...	...	...	...	...	...	...	...	...	...
Crude materials, inedible, except fuels	78	*158*	...	...	...	...	...	...	...	...	...	...	...
Copra	77	157	150	203	183	91	...	...	...	...	...	...	...

GENERAL NOTE: See table 19.

a. Domestic exports only.

b. Data for 1967 are in million new rupiahs.

c. Data are in terms of the tala introduced on 10 July with a value of 0.5 Western Samoan £.

25. QUANTITY OF EXPORTS OF MAJOR COMMODITIES

Monthly averages or calendar months

Thousand ton

	1967	1968	1968 I	1968 II	1968 III	1968 IV	1969 I	1969 II	1969 III	1969 Sep	1969 Oct	1969 Nov	1969 Dec
MEAT													
Australiaϕ	32.9	32.3	34.0	31.3	32.6	32.0	30.3	34.1	51.0	42.8	29.4	43.6	44.8
New Zealand	45.5	50.8	54.2	57.7	48.0	43.3	66.3	59.0	57.0	59.6	44.9	38.7	...
DAIRY PRODUCTS													
Australiaϕ	15.1	14.2	16.0	12.1	10.7	21.2	15.2	9.7	12.4	13.2	22.5	27.1	34.5
New Zealand	44.5	39.8	42.8	35.7	25.8	54.8	46.4	34.6	33.8	36.1	46.5	81.2	...
FISH													
Cambodia	0.27	0.11	0.27	0.06	0.07	0.05	0.11	...	...	...	...	...	...
India	1.48	1.75	1.70	1.64	1.55	2.12	2.18	2.14	2.17	2.02	3.13	2.23	1.66
Japan	16.93	17.19	16.54	17.46	16.35	18.46	11.97	15.95	13.89	11.95	13.80	14.20	14.64
Korea, Republic of	13.60	5.54	5.18	5.26	4.48	7.47	3.78	5.62	5.11	10.12	6.39	5.76	7.45
Malaysia: Sabah	0.17	0 16	0.19	0.23	0.10	0.12	...	...	...	...	...	...	...
Pakistan	1.32	1.45	1.21	1.48	1.50	1.62	0.97	2.15	1.62	1.76	5.81	...	...
Thailand	1.45	1.35	—	0.56[a]	—	0.55[a]	0.60[a]	0.57[a]	...	...	...	...	...
Viet-Nam, Republic of	0.05	0.01	0.01	0.01	—	—	0.02	—	—	—	...	...	...
WHEAT													
Australiaϕ	542	408	461	448	405	332	468	425	634	536	648	434	555
RICE													
Burma	45.0	29.3	23.8	68.0	9.2	16.3	21.5	42.2	43.2	44.2	...	...	...
Cambodia	16.7	19.1	9.2	27.4	25.7	14.3	8.7	...	...	...	...	...	...
China (Taiwan)	9.7	5.7	1.9	6.6	10.0	4.1	—	0.1	0.2	0.3	—	—	33.3
Thailand	123.5	89.0	84.8	78.7	86.4	106.1	86.1	74.5	83.8	99.0	134.8	...	...
MAIZE													
Burma	1.0	0.8	1.7	0.5	0.8	0.1	1.2	0.5	...	...	...	...	...
Cambodia	5.4	7.3	6.0	3.4	2.0	17.8	2.5	...	...	...	...	...	...
Thailand	90.9	123.4	117.5	101.6	64.8	209.8	114.0	40.2	67.6	84.7	289.5	...	...
SUGAR													
China (Taiwan)	46.4	52.4	53.6	83.8	47.6	24.6	34.9	49.8	36.7	44.6	37.9	32.8	92.8
Fiji	26.9	28.9	7.6	5.5	38.0	64.5	11.2	29.3	31.4	...	...	...	...
India	14.8	8.3	25.7	20.4	—	8.5	4.0	6.0	8.9	4.5	0.3	—	19.7
Philippines	81.2	80.4	100.2	126.0	47.1	48.1	83.7	116.1	...	...	...	...	...
Thailand	1.3	—	—	—	—	—	—	—	5.4	—	—	...	...
TEA													
Ceylon	18.0	17.4	16.3	13.5	23.5	16.2	...	...	18.7	19.4	...	...	...
China (Taiwan)	1.6	1.5	1.7	1.1	1.0	2.2	1.1	1.6	1.7	1.6	4.7	1.3	2.0
India	17.8	17.4	14.2	8.4	24.7	22.2	11.7	8.7	8.1	19.3	23.4	10.6	17.6
Indonesia	2.2	2.7	2.6	2.8	2.7	2.6	2.5	2.3	2.3	...	...	...	...
Japan	0.1	0.2	0.1	0.1	0.2	0.1	0.1	0.2	0.2	0.2	0.1	0.1	...
Viet-Nam, Republic of	0.1	0.1	—	—	0.1	0.1	—	—	—	—	...	...	...
SPICES													
Cambodia	0.14	0.14	0.08	0.37	0.09	0.01	—	...	...	...	...	...	...
Ceylon	0.28	0.42	0.28	0.29	0.49	0.63	...	...	...	...	...	...	...
India	4.09	4.78	6.03	5.23	3.37	4.48	3.35	3.03	2.72	4.93	4.01	1.61	3.34
Indonesia	3.97	2.03	0.94	0.87	3.96	3.13	1.40	1.03[b]	1.43[b]	...	...	...	...
Malaysia: Sarawak	2.17	1.93	0.97	1.75	3.32	1.69	1.36	2.25	4.46	...	...	...	...
Thailand	0.16	0.15	0.14[a]	0.07[a]	0.07[a]	0.09[a]	0.05[a]	0.01[a]	...	...	...	...	...
HIDES & SKINS													
Cambodia	0.08	0.09	0.11	0.09	0.09	0.09	0.15	...	...	...	...	...	...
India	0.85	0.42	0.37	0.32	0.38	0.59	0.36	0.79	0.50	0.37	0.46	0.35	0.39
Indonesia	0.32	...	0.47	0.49	0.40	...	...	...	...	...	...	...	...
Pakistan	0.09	0.05	0.10	0.04	0.02	0.02	0.01	0.01	0.04	0.08	0.01	...	...
Thailand	0.40	0.46	0.49	0.46	0.51	0.38	0.58	0.40	0.67	0.62	0.48	...	...
NATURAL RUBBER													
Burma	0.4	0.6	0.4	0.6	0.6	0.9	2.0	0.5	0.8	1.1	...	...	...
Cambodia	4.1	4.0	3.4	3.0	4.7	4.7	3.5	2.2	4.4	3.4	5.0	4.2	8.2
Ceylon	11.3	12.4	14.6	8.7	14.2	12.2	14.4	10.4	11.8	14.5	19.9	7.8	5.7
Indonesia	54.3	60.7	54.9	62.5	60.8	60.2	55.2	62.6	62.0	...	...	...	...
Malaysia:													
East Malaysia													
Sabah	2.0	2.1	2.1	1.7	2.2	2.3	2.3	1.9	2.6	3.0	3.1	...	...
Sarawak	2.4	2.0	1.7	1.7	2.1	2.5	3.6	3.4	3.2	2.7	...	...	...
West Malaysia[c]	78.2	88.8	86.3	78.9	91.9	98.0	103.9	83.9	108.6	103.6	...	...	...
Thailand	17.6	21.0	24.6	19.6	14.3	25.5	27.9	19.6	18.6	5.4	26.0	...	...
Viet-Nam, Republic of	3.1	2.4	2.9	1.6	2.7	2.5	2.3	1.1	1.9	1.2	...	...	...
WOOD & LUMBER													
Burma (teak and hard woods)	8.5	10.0	9.2	9.3	11.9	9.5	12.5	8.8	13.4	13.9	4.3	...	...
Fiji	0.4	0.4	0.4	0.2	0.6	0.4	0.4	0.3	0.4	...	...	...	...
Indonesia	33.4	69.8	49.6	58.6	78.3	92.7	163.9	208.6	...	...	...	...	..
Malaysia:													
East Malaysia													
Sabah	250.6	273.1	224.5	297.8	271.5	298.7	...	...	...	...	...	...	...
Sarawak	121.7	158.8	143.2	153.2	154.4	184.3	155.5	176.9	160.6	...	...	...	...
West Malaysia	103.5	127.2	109.4	141.2	140.4	117.7	121.0	130.4	165.3	153.5	...	...	...
New Zealand (timber sawn, million sup. ft.)	3.1	7.3	4.6	7.9	9.1	7.8	6.3	10.0	9.6	7.4	12.3	7.2	...
Philippines (logs and lumber)	501.4	505.5	481.6	525.9	465.5	548.8	448.5	595.6	...	...	...	...	...
Thailand (teak)	2.2	1.8	1.9	2.0	1.7	1.6	1.7	1.8	1.8	2.1	1.8	...	...

25. QUANTITY OF EXPORTS OF MAJOR COMMODITIES (*Cont'd*)

Monthly averages or calendar months

Thousand tons

	1967	1968	1968 I	1968 II	1968 III	1968 IV	1969 I	1969 II	1969 III	1969 Sep	1969 Oct	1969 Nov	1969 Dec
WOOL													
Afghanistan*	0.3	0.5	...	...	...	...	...	...	...	...	...	...	...
Australiaϕ	61.1	63.8	65.6	65.3	47.8	70.9	72.3	63.7	55.0	39.3	73.0	74.5	71.1
India	0.8	0.8	0.8	0.8	0.5	0.9	0.7	0.7	0.6	0.7	0.8	0.2	1.0
Iran*	0.1	0.1	0.1	0.1	0.2	0.1	—	0.1	—	0.1	...	...	...
New Zealand	17.1	24.5	29.1	33.0	17.0	18.8	34.3	32.7	20.5	15.5	13.8	19.8	...
Pakistan	0.8	1.0	0.7	1.1	1.0	1.1	0.9	0.9	0.5	0.6	2.5	1.1	...
COTTON, RAW													
Afghanistan*	0.9	0.6	...	...	...	...	...	...	...	...	...	...	...
Burma	0.3	0.1	0.3	0.1	—	—	—	—	...	...	...	...	...
India	3.7	3.0	5.0	2.6	2.9	1.5	2.5	3.2	2.7	1.7	0.9	1.9	4.6
Iran*	6.1	6.4	9.5	2.5	1.0	10.1	12.2	5.6	1.6	0.8	...	...	...
Pakistan	15.6	17.2	27.1	22.9	7.6	11.2	21.7	7.5	1.1	1.2	...	...	...
JUTE AND ALLIED FIBRE													
India (bag and cloth)	61.7	53.6	53.4	52.7	59.8	48.7	47.2	50.4	44.2	37.3	42.9	46.1	45.1
Pakistan (raw)	43.9	69.0	129.0	32.8	40.7	73.5	51.9	28.4	32.3	44.3	...	...	...
Thailand (jute and kenaf)	26.4	24.1	27.5	21.5	18.4	29.1	32.2	16.2	8.1	6.6	22.8	...	...
HEMP, RAW													
India	0.49	0.29	0.44	0.19	0.24	0.30	0.24	0.18	0.10	0.10	0.16	0.05	0.02
Malaysia: Sabah	0.27	0.29	0.24	0.37	0.20	0.36	...	...	...	...	...	...	...
Philippines	5.61	4.73	6.28	4.16	4.56	3.93	5.33	5.61	...	...	...	...	...
IRON ORE													
Hong Kong	14.1	14.3	16.4	13.0	13.0	14.6	13.7	12.7	16.4	20.0	9.6	19.6	...
India	1 131.1	1 303.0	1 517.6	1 320.3	872.9	1 501.0	1 554.8	1 076.3	1 054.9	1 284.2	1 135.8	1 576.0	1 348.4
Korea, Republic of	55.7	64.3	60.6	67.1	56.4	73.2	43.1	66.4	62.5	61.4	38.2	61.6	57.0
Malaysia: West Malaysia	444.2	432.4	120.2	659.6	709.9	239.9	116.9	657.7	734.2	885.6	...	...	...
Philippines	36.3	19.5	41.8	11.6	11.6	13.0	23.0	19.0	8.7	...	———	19.2	———
TIN CONCENTRATES													
Burma	0.01	0.01	0.01	—	0.02	—	—	0.01	—	—	—	...	...
Indonesia	0.06	...	0.53	0.52	0.22	...	...	...	...	...	...	...	...
Laos	0.04	0.05	—	0.04	0.04	0.10	0.09	0.03	0.10	0.09	0.01	...	...
COAL													
India	20.8	39.1	36.2	32.9	37.5	49.7	21.6	20.2	26.8	20.4	20.6	30.5	22.7
Korea, Republic of (anthracite)	14.3	18.9	18.4	16.7	16.9	23.5	10.2	22.9	25.0	26.0	17.2	20.4	22.8
MANGANESE ORE & CONCENTRATES													
India	92.4	99.1	85.4	105.8	95.2	110.0	127.2	103.1	75.9	72.8	143.3	68.5	81.3
PETROLEUM & PRODUCTS													
Brunei (crude oil)	421	494	—	487 —	—	501 —	...	...	...	...	...	...	...
Indonesia	1 547	1 786	1 546	1 799	1 880	2 253	2 209	2 350	...	...	...	...	...
Iran* (crude oil)	10 108	9 907	7 486	8 027	11 272	10 454	9 873	10 329	11 437	12 092	...	...	...
Malaysia: Sarawak (petroleum products)	191	197	—	188 —	—	207 —	...	...	...	...	...	...	...
COPRA[d] & COCONUT OIL													
Ceylon	6.5	6.5	6.5	3.9	6.9	8.7	...	...	...	...	...	...	...
Fiji (coconut oil)	1.2	1.5	1.1	1.0	2.0	1.7	0.9	1.6	2.4	...	...	...	...
Indonesia (copra)	6.0	8.3	5.6	11.8	3.6	12.2	4.1	3.7	...	...	...	...	...
Malaysia:													
East Malaysia: Sabah	0.8	0.8	0.6	0.7	0.9	1.0	...	...	...	...	...	...	...
West Malaysia (coconut oil)[c]	2.4	3.1	2.6	4.1	3.9	2.0	2.1	2.7	1.8	0.8	...	...	...
Philippines	60.5	55.4	36.5	45.6	62.3	75.1	43.9	40.2	...	...	...	...	...
Singapore (coconut oil)	1.0	...	2.7	3.9	...	...	...	...	...	...	...	...	...
PALM OIL													
Indonesia	11.0	11.8	12.0	12.4	10.2	12.7	7.0	8.7	6.2	...	...	...	...
Malaysia: West Malaysia[c]	15.0	22.3	23.8	16.0	21.4	27.9	24.7	24.9	26.1	33.8	...	...	...
GROUND NUTS[d] & OIL													
India	0.04	0.76	1.38	0.98	0.33	0.35	3.51	1.26	0.40	0.22	0.12	0.48	3.52
Indonesia (groundnuts)	0.81	...	0.62	1.97	...	...	1.64	...	...	...	...	...	...
Thailand (groundnuts)	0.69	0.38	0.14	0.21	0.67	0.51	0.19	0.36	0.48	1.06	0.48	...	...
COTTON YARN													
Hong Kong	0.94	0.86	0.63	0.89	0.85	1.07	0.77	0.94	0.96	1.22	1.68	1.11	...
Japan	0.51	0.58	0.45	0.58	0.58	0.73	0.54	0.60	0.67	0.74	0.46	0.55	0.78
COTTON FABRICS *(million sq. metres)*													
Hong Kong	36.8	37.2	36.7	35.1	38.0	38.8	32.3	32.5	37.0	41.9	50.8	46.3	...
India *(million metres)*	36.7	41.3	45.8	37.0	41.1	41.5	38.2	34.9	33.9	38.5	34.5	38.8	52.4
Japan	66.8	55.5	44.9	55.1	54.9	67.0	44.9	47.1	43.8	44.0	43.4	42.8	...
TIN METAL													
Indonesia	0.06	...	0.53	...	...	...	...	...	...	...	...	...	...
Malaysia: West Malaysia[e]	6.23	7.28	6.76	6.84	7.70	7.82	7.95	6.77	8.11	7.57	7.99	6.95	7.92
Thailand	2.25	2.00	2.08	2.20	2.00	1.72	1.90	...	...	...	...	...	...

a. Port of Bangkok only.
b. Pepper only.
c. Net exports.
d. In terms of oil equivalent.
e. Including Singapore.

EXTERNAL TRADE

26. INDEX NUMBERS OF QUANTUM, UNIT VALUE AND TERMS OF TRADE

1963 = 100[a]

	1967	1968	1968				1969						
			I	II	III	IV	I	II	III	Sep	Oct	Nov	Dec
A. Quantum													
AUSTRALIA[ϕ]													
Imports	149	159	...	155	166	163	149	156	177	...	...	...	...
Exports	136	148	...	144	136	155	145	155	170	...	...	...	...
CEYLON *(Central Bank index)*													
Imports	108	105	126	108	106	87	...	...	...	...	...	...	...
Exports	107	109	107	82	139	106	...	...	...	...	...	...	...
CHINA (Taiwan)													
Imports *(ordinary and ICA)*	192	212	159	184	241	291	210	308	262	262	348	284	446
Exports	182	200	173	241	187	201	183	238	245	254	273	233	399
INDIA[b]													
Imports	130	126	133	137	121	114	116	88	120	...	...	...	...
Exports	102	117	106	116	127	123	112	114	117	...	...	...	...
JAPAN													
Imports	170	186	175	187	182	201	200	213	230	233	238	227	...
Exports	190	236	192	232	244	273	240	272	293	297	298	285	...
KOREA, Republic of													
Imports	175	260	208	255	248	329	250	320	377	349	282	...	...
Exports	305	421	308	444	431	500	418	641	604	569	589	...	...
MALAYSIA: West Malaysia													
Imports	67	...	...	...	...	...	...	...	...	...	...	...	...
Exports	84	...	...	...	...	...	...	...	...	...	...	...	...
NEW ZEALAND													
Imports	105	125	115	109	138	136	125	126	155	...		133	
Exports	110	...	138	145	109	123	153	145	130	...		134	
PAKISTAN[c]													
Imports	123	107	103	108	...	...	...	...	...	...	...	...	...
Exports	106	121	113	105	...	...	...	...	...	...	...	...	...
PHILIPPINES													
Imports	161	176	166	170	194	174	169	175	...	...	...	...	...
Exports	108	106	95	115	102	110	101	113	...	...	...	...	...
THAILAND													
Imports	178	203	196	193	190	197	204	208	226	202	209	...	...
Exports	140	136	136	131	122	162	151	123	129	131	166	...	...
VIET-NAM, Republic of													
Imports	191	169	112	121	147	293	290	236	243	...	...	...	...
Exports	27	20	23	14	22	21	18	9	15	...	...	...	...
B. Unit Value													
AUSTRALIA[ϕ]													
Imports	104	105	102	102	104	104	108	...	...	...	...	...	...
Exports	104	99	99	100	100	102	101	100	...	...	...	...	...
CEYLON *(Central Bank index)*													
Imports	117	152	166	180	190	202	...	...	...	...	...	...	...
Exports	91	109	104	108	111	113	...	...	...	...	...	...	...
CHINA (Taiwan)													
Imports *(ordinary and ICA)*	103	102	102	101	103	103	103	103	103	103	104	105	107
Exports	83	83	82	82	83	82	89	90	90	90	90	91	90
INDIA[b]													
Imports	158	149	152	154	146	148	163	163	142	...	...	...	...
Exports	160	154	153	153	156	153	163	166	163	...	...	...	...
JAPAN													
Imports	105	104	106	105	103	102	102	100	100	102	104	103	...
Exports	101	101	100	101	102	102	103	105	106	107	105	106	...
KOREA, Republic of													
Imports	102	101	102	99	101	101	99	98	99	99	98	...	...
Exports	121	125	125	124	125	126	120	119	120	119	120	...	...
MALAYSIA: West Malaysia													
Imports	91	...	...	...	...	...	...	...	...	...	...	...	...
Exports	110	...	...	...	...	...	...	...	...	...	...	...	...
NEW ZEALAND													
Imports	103	121	119	118	121	126	126	126	127	...		132	
Exports	94	103	101	101	102	108	108	106	111	...		111	
PAKISTAN[c]													
Imports	102	102	101	100	...	...	...	...	...	...	...	...	...
Exports	118	109	108	108	...	...	...	...	...	...	...	...	...
PHILIPPINES													
Imports	107	106	106	106	106	106	107	107	...	...	...	...	...
Exports	104	109	112	113	108	103	109	109	...	...	...	...	...
THAILAND													
Imports	98	93	97	96	99	97	96	95	99	99	98	...	...
Exports	104	104	104	100	106	101	111	109	105	96	99	...	...
VIET-NAM, Republic of													
Imports	226	223	240	218	219	217	221	222	217	...	...	...	...
Exports	180	174	148	172	185	191	219	229	264	...	...	...	...

26. INDEX NUMBERS OF QUANTUM, UNIT VALUE AND TERMS OF TRADE (*Cont'd*)

1963 = 100[a]

	1967	1968	1968 I	1968 II	1968 III	1968 IV	1969 I	1969 II	1969 III	1969 Sep	1969 Oct	1969 Nov	1969 Dec
C. Terms of trade													
Percentage of unit value index of exports to unit value index of imports													
AUSTRALIAϕ	100	94	97	98	96	98	94	...	...	...	...	...	...
CEYLON *(Central Bank index)*	78	72	63	60	58	56	...	...	...	...	...	...	...
CHINA (Taiwan)	80	81	81	81	81	80	86	87	87	87	87	87	84
INDIA	101	103	101	99	107	103	100	102	115	...	...	...	...
JAPAN	96	97	94	96	99	100	101	104	106	106	101	103	...
KOREA, Republic of	119	124	123	124	124	124	121	121	121	120	122	...	...
MALAYSIA: West Malaysia	121	...	...	...	...	...	...	...	...	...	...	...	...
NEW ZEALAND	91	85	85	86	84	86	86	84	87	...	—	84	—
PAKISTAN	116	107	107	108	...	...	...	...	...	...	...	...	...
PHILIPPINES	97	103	106	106	102	97	102	101	...	...	...	...	...
THAILAND	107	112	108	104	106	104	116	114	106	97	101	...	...
VIET-NAM, Republic of	80	78	62	79	84	88	99	103	122	...	...	...	...

a. Original base: *Ceylon*, 1958; *China (Taiwan)*, 1961; *India*, 1958; *Republic of Korea*, 1965; *Malaysia (West)*, 1959; *Pakistan*, 1960/61; *Philippines*, 1955; *Thailand*, 1953; *Republic of Viet-Nam*, 1949; *Japan*, 1965; For *Australia* and *New Zealand*, see United Nations, *Supplement to the Monthly Bulletin of Statistics*, 1967.

b. Index based on unrevised value data.

c. Imports excluding land trade, index in terms of U.S. dollars.

27. INDEX NUMBERS OF WHOLESALE PRICES

1963 = 100[a]

	1967	1968	1968 I	1968 II	1968 III	1968 IV	1969 I	1969 II	1969 III	1969 Sep	1969 Oct	1969 Nov	1969 Dec
AUSTRALIA													
Base materials[b]	113	113	111	116	114	112	113	115	115	115	114	114	114
Domestic goods	115	116	113	119	117	113	115	...	...	...	...	...	...
Imported goods	104	106	105	106	106	106	107	...	...	...	...	...	...
Building materials[c]	113	116	114	116	116	118	120	122	123	123	123	...	...
BURMA† *(1962/63=100)*													
All agricultural produce	134	...	...	...	...	...	...	...	...	...	...	...	...
Cereals	93	...	...	...	...	...	...	...	...	...	...	...	...
Non-food agricultural produce	179	...	...	...	...	...	...	...	...	...	...	...	...
CHINA (Taiwan): Taipei													
General index	102	105	103	104	106	106	104	102	103	104	108	108	106
Food	102	106	103	105	108	109	106	102	104	105	112	112	109
Apparel	94	93	94	93	93	92	91	90	90	90	90	90	90
Metals and manufactures thereof	97	97	96	96	99	98	97	98	100	102	108	107	105
Building materials	122	122	118	120	125	125	124	125	123	122	125	125	123
Manufactured products	114	114	112	113	115	115	114	114	114	114	114	...	...
Industrial materials	109	107	108	107	107	107	107	107	108	108	111	111	110
INDIA													
General index	160	158	155	155	162	161	157	163	170	170	...	...	...
Food articles	179	177	175	176	183	174	164	173	184	183	...	...	...
Industrial raw materials	166	157	151	147	158	171	173	183	191	186	...	...	...
Manufactured articles	128	128	126	125	128	131	133	135	136	137	...	...	...
Intermediate products	156	145	146	142	145	148	150	157	161	162	...	...	...
Finished products	123	125	122	122	125	128	129	131	131	132	...	...	...
IRAN													
General index	107	107	108	108	106	107	109	110	109	109	109	110	112
Domestic goods[d]	108	109	110	110	107	109	112	112	109	109	110	110	114
Imported goods	104	104	104	103	103	104	104	106	109	110	111	112	113
Exported goods	104	105	105	105	105	104	105	105	105	106	107	107	107
Farm products	112	111	114	115	108	108	114	115	108	107	108	108	115
Building materials	112	113	112	113	113	114	114	123	130	130	131	133	133
JAPAN													
General index	105	106	107	106	106	107	107	108	109	110	110	110	111
Foodstuffs	109	114	112	113	114	117	117	119	120	121	121	121	122
Textiles	101	102	104	102	102	101	100	100	101	101	101	101	103
Metal products	109	110	110	109	109	111	111	112	113	113	114	114	114
Machinery	100	100	100	100	100	99	100	99	100	100	100	100	100
Building materials	115	115	115	114	114	116	116	118	120	122	123	123	124
Chemical goods	98	96	97	96	95	95	94	95	94	94	94	94	95
Producer goods	106	106	107	105	105	105	106	107	108	109	110	110	111
Consumer goods	108	112	110	111	112	114	114	115	116	116	116	117	117
KOREA, Republic of													
General index	172	185	182	185	186	190	194	197	199	200	201	202	204
Food	159	176	169	176	177	182	192	197	202	204	207	207	212
Metal and metal products	193	208	203	209	209	210	219	216	219	219	225	228	229
Machinery and machine parts	186	204	201	204	203	207	210	209	208	208	208	208	209
Building materials	182	198	194	200	200	200	201	206	207	207	211	214	215
Fibre and fibre products	208	220	218	218	220	224	224	226	225	225	225	226	226
Imported goods	171	169	169	168	168	169	171	174	177	178	179	182	182
Producer goods	174	183	180	182	183	185	186	189	189	190	191	192	193
Consumer goods	170	187	183	186	187	192	199	202	204	206	207	208	210
NEW ZEALAND													
General	107	114	112	113	115	118	118	121	123	123Δ	...	...	122Δ
Domestic goods	107	113	111	111	113	117	116	119	121	121Δ	...	...	120Δ
Imported goods	108	121	118	120	122	124	125	126	127	127Δ	...	...	127Δ
Building materials	112	119	116	119	120	122	122	124	124	124Δ	...	...	126Δ

27. INDEX NUMBERS OF WHOLESALE PRICES (*Cont'd*)

1963 = 100[a]

	1967	1968	1968				1969						
			I	II	III	IV	I	II	III	Sep	Oct	Nov	Dec
PAKISTAN♦ *(1962/63=100)*													
General	128	123	118	123	132	131	126	130	137	142	140	137	*130*
Food	133	128	122	128	140	137	130	134	143	151	148	145	*134*
Raw materials	119	101	101	102	107	110	112	115	117	116	114	111	*113*
Fuel, lighting and lubricants	119	121	123	123	123	124	125	126	126	127	126	127	*129*
Manufactured products	111	115	115	117	119	121	123	124	125	126	126	125	*125*
PHILIPPINES (Manila)													
General index	117	120	122	121	119	118	119	118	121	122	124	125	129
Food	126	126	128	126	126	126	124	125	129	131	132	134	138
Crude materials	117	132	140	141	125	121	128	125	127	127	132	138	147
Chemicals	104	106	106	106	106	106	107	106	107	107	106	107	108
Manufactured goods	108	109	108	109	109	110	110	111	112	113	113	113	116
Domestic products	120	124	126	125	122	121	121	123	124	125	127	129	133
Exported products	108	122	129	131	116	111	116	112	114	115	119	124	131
Imported products	103	104	104	104	104	104	105	105	106	106	107	108	112
THAILAND (Bangkok)													
General index	119	113	114	114	115	110	112	111	118	119	121	123	121
Agricultural produce[e]	113	108	106	109	110	105	104	105	113	114	116	120	121
Foodstuffs[f]	127	119	122	120	121	113	117	116	124	126	126	130	125
Clothes	108	112	110	112	112	112	111	111	112	112	112	112	112
Metal	109	108	106	107	106	114	118	119	121	125	156	145	138
Construction materials	101	100	100	100	100	101	102	102	102	102	103	104	104
VIET-NAM (Saigon-Cholon)													
General index	193	210	204	208	210	217	224	236	260	261	275	286	287
Rice and paddy	244	252	254	252	245	257	267	290	351	345	396	402	385
Raw materials	156	152	149	153	153	153	153	153	162	166	166	159	151
Semi-finished products	244	250	248	246	249	256	265	282	294	293	293	327	408
Manufactured products	142	167	156	166	171	177	172	179	202	213	215	227	242
Local products	216	234	230	231	232	243	250	263	295	294	314	321	310
Imported products	153	166	160	165	167	172	178	187	198	202	208	225	244

a. Original base: Australia, average of 3 years ended June 1939 except index of building materials the base is July 1966/June 1967; Burma, October 1961/September 1962; China (Taiwan), 1963-1965 except index of manufactured products and industrial materials for which the base is 1953; India, April 1952/March 1953; Iran, 21 March 1959/20 March 1960; Japan, 1965; Korea, Rep. of, 1965; New Zealand, 1958; Pakistan, July 1959/June 1960; Philippines, 1955; Thailand, April 1938/March 1939; Viet-Nam, Rep. of, 1949.

△ Quarterly index for quarter ending in month shown.

b. Home consumption of foodstuffs and industrial raw materials.

c. Non-residential building materials, not subdivision of general index.

d. Home produced and consumer goods.

e. Agricultural produce including paddy, rice meal, copra, rubber, etc., foodstuffs including milled rice, pork, bananas, etc.

28. INDEX NUMBERS OF PRICES RECEIVED AND PAID BY FARMERS

1963 = 100[a]

	1967	1968	1968				1969						
			I	II	III	IV	I	II	III	Sep	Oct	Nov	Dec
AUSTRALIA[b,r] *(average of 3 years ended June 1963=100)*													
Prices received by farmers (R)	110	107	107	109	108	110	104	103	...	...	...	...	...
Prices paid by farmers (P)	114	118	118	119	119	120	120	121	...	...	...	...	...
Ratio (R) ÷ (P)	96	91	91	92	91	92	87	85	...	...	...	...	...
CHINA (Taiwan)													
Prices received by farmers (R)	109	115	114	115	120	121	115	111	109	110	119	121	118
Prices paid by farmers (P)	110	116	112	115	118	118	118	117	116	116	123	122	121
Productive goods	106	110	109	111	110	111	112	109	103	103	107	110	110
Domestic expenditure	109	115	110	113	118	117	112	115	115	116	126	122	120
Financial and others	122	133	126	131	137	139	141	143	144	140	143	150	147
Ratio (R) ÷ (P)	99	99	102	100	101	102	97	95	94	95	97	99	98
INDIA (Assam)													
Prices received by farmers (R)	180	207	182	209	219	217	183	...	...	...	...	...	...
Prices paid by farmers (P)	148	153	153	155	156	149	145	...	...	...	...	...	...
Ratio (R) ÷ (P)	121	135	119	135	141	145	126	...	...	...	...	...	...
JAPAN‡ *(Apr 1963/Mar 1964=100)*													
Prices received by farmers (R)	136	142	143	140	140	143	140	144	146	144	150	146	147
Prices paid by farmers (P)	117	121	119	121	122	123	123	124	125	125	125	126	126
Cultivation cost	115	118	117	118	119	119	119	119	120	120	119	119	118
Domestic expenditure	118	123	120	122	123	124	125	126	127	128	129	130	131
Ratio (R) ÷ (P)	116	117	120	116	115	117	114	117	117	115	120	116	116
KOREA, Republic of													
Prices received by farmers (R)	159	186	173	187	190	192	203	205	218	222	227	216	221
Prices paid by farmers (P)	186	223	208	224	230	232	237	242	250	252	255	253	254
Farm supplies	193	247	228	257	265	260	262	267	275	275	279	268	264
Domestic expenditure	182	209	199	210	213	216	221	224	230	232	234	234	236
Wages and services	198	242	217	234	254	261	269	284	307	307	317	325	330
Ratio (R) ÷ (P)	85	83	83	84	83	83	86	85	88	88	89	85	87

a. Original base: Australia, average of 3 years ended June 1963; China (Taiwan), 1961-1963; India (Assam), 1944; Japan, April 1965/March 1966; Korea, Rep. of, 1965.

b. Annual figures refer to averages of 4 quarters ending June of year stated; quarterly figures refer to the last month of each quarter.

29. PRICE QUOTATIONS OF MAJOR EXPORT COMMODITIES

	Unit	1967	1968	1968 I	1968 II	1968 III	1968 IV	1969 I	1969 II	1969 III	1969 Sep	1969 Oct	1969 Nov	1969 Dec
LAMB														
New Zealand .	*US$ per 100 lbs*	21.42	21.39	23.27	20.63	19.07	21.39	22.74	22.65	24.02	24.32	24.72	...	...
BUTTER														
Australia . .	*Sh. Sterling per cwt*	300.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0	...	...	...	...	...
New Zealand .	*US$ per 100 lbs*	33.2	28.4	28.5	28.7	28.1	28.2	28.2	28.6	28.3	28.3	28.0	...	...
WHEAT														
Australia . .	*A. cents per 60 lbs*	149	142	142	142	142	143	143	140	137	132	132	132	132
RICE														
Burma . . .	*£ per long ton*	43.7	63.0	63.0	63.0	63.0	63.0	58.0	58.0	58.0	58.0	58.0	58.0	58.0
Cambodia . .	*Ri. per 100 kg*	591	568	600	595	567	504	481	...	...	...	...	...	...
China (Taiwan)	*NT$ per m. ton*	6 906	7 317	5 984	7 633	7 314	7 443	7 494	7 442	7 442	7 442	7 160	7 441	6 206
Thailand . .	*Baht per m. ton*	2 398	2 001	2 123	2 006	2 028	1 858	1 967	2 196	2 365	2 386	2 376	2 398	2 098
SUGAR														
China (Taiwan)	*US$ per m. ton*	66.3	62.7	77.9	60.5	55.9	56.5	88.7	72.2	86.6	81.8	84.3	69.4	76.9
India . . .	*Rs. per maund*	52.6	59.4	59.5	59.5	59.5	59.3	58.8	59.0	...	...	...	...	...
Philippines . .	*Peso per picul*	34.9	35.8	35.0	35.3	36.5	36.1	36.6	37.1	37.6	37.6	37.6	37.6	37.0
TEA														
Ceylon . . .	*Rs. per lb*	2.46[a]	2.60	2.65	2.52	2.65	2.53	2.58	2.24	2.67	2.94	2.66	2.51	2.48
China (Taiwan)	*NT$ per kg*	18.22	18.93	19.15	17.89	19.50	18.71	18.23	17.24	21.07	23.81	20.45	20.81	17.49
India . . .	*Rs. per kg*	6.39[a]	6.09	4.87	7.72	6.60	5.17	4.67	7.92	6.52	6.09	5.50	5.31	5.25
Indonesia . .	*US$ per 100 lbs*	14.72	19.30	20.26	20.18	20.39	17.68	18.21	14.52	...	...	...	...	...
PEPPER														
Cambodia . .	*Ri. per 100 kg*	3 096	2 982	3 117	2 916	3 008	3 739	4 625	...	...	...	...	...	...
India . . .	*Rs. per maund*	185.9	183.4	177.8	184.3	184.8	186.6	185.6	185.2	...	...	...	...	...
Indonesia . .	*US$ per 100 lbs*	22.0	24.9	25.1	19.2	23.8	27.1	34.9	27.2	...	...	...	...	...
Malaysia . .	*M$ per picul*	88.6	77.4	96.2	77.3	72.8	79.2	76.8	81.0	90.7	...	...	...	...
Singapore . .	*S$ per picul*	112.2	109.1	126.8	103.1	101.1	105.3	106.3	124.5	149.9	201.7	244.5	225.5	207.0
HIDES														
Pakistan . .	*Rs. per 82 lbs*	17.67	27.33	22.00	22.00	30.00	35.33	32.00	33.17	34.58	34.00	33.33	31.20	23.50
SKINS														
India . . .	*Rs. per 100 pcs*	883.5	524.6	449.9	525.4	548.1	575.0	661.2	700.8	...	...	...	...	...
Pakistan . .	*Rs. per 100 pcs*	226.0	296.2	270.8	266.7	320.8	326.4	343.8	341.7	375.0	350.0	433.3	330.0	300.0
GROUNDNUTS														
India . . .	*Rs. per maund*	68.88	54.28	52.08	44.21	58.30	62.53	62.55	75.32	...	...	...	...	...
COPRA														
Ceylon . . .	*Rs. per candy*	293.1	396.2	398.3	406.8	407.6	381.9	407.1	387.1	327.9	327.6	330.3	326.2	...
Malaysia . .	*M$ per picul*	38.50	35.04	40.30	40.67	29.67	29.50	30.67	29.33	30.33	31.50	...	...	...
Indonesia . .	*US$ per 100 lbs*	6.66	7.06	8.07	8.30	6.11	5.62	5.26	5.22	...	...	...	...	...
Philippines .	*Peso per 100 kg*	63.07	76.20	89.80	89.92	65.32	59.62	67.24	61.30	63.48	63.44	69.55	76.88	88.36
RUBBER, NATURAL														
Ceylon . . .	*Rs. per lb*	0.97	1.01	0.91	0.93	1.00	1.15	1.22	1.33	1.47	1.51	1.52	1.53	...
Indonesia . .	*Rp.[b] per 100 kg*	2 946	9 311	6 164	7 971	10 292	12 817	13 825	15 201	16 740	16 134	14 477	12 920	...
Singapore . .	*S Cents per lb*	54.08	53.12	47.67	52.17	54.74	57.57	65.04	70.77	77.05	75.30	69.76	63.04	64.73
Thailand . .	*Baht per kg*	7.63	7.27	6.79	6.49	6.95	7.98	8.96	10.19	*10.79*	...	...	...	...
United Kingdom	*Pence per lb*	16.5	18.6	16.6	18.3	19.3	20.4	22.8	24.6	26.8	26.2	24.3	22.1	22.5
TIMBER														
Burma . . .	*K. per cu. ton*	1 346	1 371	1 448	1 573	1 171	1 318	1 213	...	...	...	...	...	...
Malaysia . .	*M$ per ton 50 cu. ft*	107.1	103.9	98.6	105.8	106.3	103.7	*102.9*	*102.9*	...	...	...	...	...
Philippines .	*US$ per 1,000 bd. ft*	59.76	60.52	59.88	60.79	60.79	60.07	60.34	61.51	...	...	...	...	...
Thailand . .	*Baht per cu. m.*	5 784	5 941	5 560	6 013	6 108	6 045	5 825	6 023	...	...	...	...	...
WOOL, RAW														
Australia . .	*US$ per 100 lbs*	51.0	51.8	50.9	51.6	50.9	53.8	52.3	51.2	48.2	48.2	47.1	46.0	46.0
New Zealand[φ]	*NZ cents per lb*	22.9	28.1	23.3	22.9	23.7	30.0	29.0	28.1	26.1	26.3	...	...	...
Pakistan . .	*Rs. per lb.*	1.82	1.53	1.46	1.56	1.57	1.54	1.47	1.85	1.71	1.71	1.58	1.71	...
COTTON, RAW														
Burma . . .	*K. per long ton*	1 983	2 766	2 111	3 000	—	—	...	...	...	...	...	...	...
India . . .	*Rs. per 784 lbs*	1 147.5	1 266.9	1 286.2	1 228.6	1 266.0	1 286.9	1 253.2	1 346.0	...	...	...	...	...
Pakistan . .	*Rs. per maund*	77.8	87.1	89.8	89.5	84.9	84.3	*86.5*	104.2	107.0	105.0	88.0	85.2	86.7
JUTE, RAW														
India . . .	*Rs. per 400 lbs*	347	415	353	386	428	494	507	478	...	...	...	...	...
Pakistan . .	*Rs. per maund*	42.58	42.74	39.13	40.83	42.35	48.67	48.00	43.85	*38.34*	38.00	38.00	39.00	39.00
United Kingdom	*£ per long ton*	121	132	121	124	132	151	155	156	139	137	135	139	140
HEMP, RAW														
Philippines .	*Peso per picul*	46.3	46.8	42.6[c]	49.4	48.3	45.8	50.2	56.4	60.6	62.6	63.9	64.3	64.7
PETROLEUM, CRUDE														
Indonesia . .	*US$ per 100 lbs*	1.66	1.66	1.64	1.75	1.58	1.66	1.67	1.65	...	...	...	...	...
Iran . . .	*US$ per barrel*	1.63	1.63	1.63	1.63	1.63	1.63	1.63	1.63	1.63	1.63	1.63	1.63	1.63
Malaysia . .	*M$ per m. ton*	48.3	47.3	48.08	48.02	46.78	46.52	45.32	44.63	43.97	...	...	...	...
PETROLEUM PRODUCTS														
Indonesia . .	*US$ per 100 kg.*	...	2.46[a]	2.56	2.37	...	...	3.03	...	...	...	...	...	...

29. PRICE QUOTATIONS OF MAJOR EXPORT COMMODITIES (*Cont'd*)

	Unit	1967	1968	1968				1969						
				I	II	III	IV	I	II	III	Sep	Oct	Nov	Dec
GROUNDNUT OIL														
India . . .	*Rs. per quarter*	50.55	38.34	34.05	33.37	41.21	44.71	45.38	54.29	...	...	...	...	...
PALM OIL														
Indonesia . .	*US$ per 100 lbs*	8.01	5.86	6.85	6.32	5.64	4.66	4.92	5.85	...	...	...	...	...
Singapore . .	*S$ per picul*	37.14	26.60	30.79	29.93	24.16	21.51	22.99	26.63	26.32	...	...	...	...
COCONUT OIL														
Ceylon . . .	*Rs. per long ton*	1 314	2 109	1 927	2 115	2 192	2 090	2 065	2 150	1 935	1 851	1 866	1 829	...
Philippines .	*Peso per kg*	1.09	1.30	1.54	1.52	1.10	1.04	1.13	1.06	1.04	1.04	1.16	1.27	1.46
Singapore . .	*S$ per picul*	50.9	57.8	63.6	66.6	52.9	48.1	51.3	49.3	50.2	51.4	54.1	61.1	62.8
RAYON YARN														
Japan[r] . . .	*Yen per kg*	359	431	431	435	431	429	426	434	425	420	418	411	414
COTTON PIECEGOODS														
India . . .	*Rs. per metre*	1.26	1.30	1.28	1.29	1.31	1.31	‖1.14[d]	1.14	...	...	...	...	...
Japan . . .	*Yen per yd*	54	54	53	50	55	58	53	51	51	51	51	52	54
JUTE MANUFACTURES														
India (bag) .	*Rs. per 100 bags*	158.1	176.6	154.1	163.9	187.8	200.5	200.0	200.0	...	...	...	...	...
India (hessian).	*Rs. per 100 yds*	63.6	‖65.2	55.4	58.0	67.8	79.3	81.3	87.1	...	...	...	...	...
TIN														
Indonesia . .	*US$ per 100 lbs*	151.1	150.7	157.9	146.6	149.0	151.5	141.7	127.4	...	...	...	...	...
Singapore . .	*S$ per picul*	600.1	565.5	560.4	558.1	555.2	588.4	586.2	611.3	635.2	636.6	639.0	672.7	699.2
Thailand . .	*Baht per m. ton*	42 977	41 044	40 556	40 494	40 340	42 787	43 082	44 782	46 891	47 056	47 230	49 738	51 324

SPECIFICATIONS:

LAMB: *New Zealand* — Unit value of exports.

BUTTER: *Australia* — London Provision Exchange price for Australian choicest butter, *New Zealand* — Selling price on the London Provision Exchange for first quality.

WHEAT: *Australia* — Export price f.o.b. Wheat Board basic selling price, f.a.q., bulk.

RICE: Burma — Average of export contract price f.o.b., white rice, Ngasein, 42% brokens, parboiled. *Cambodia* — Unit value of exports of rice and rice products. *China, (Taiwan)* — Unit value of export of rice and paddy. Thailand — Wholesale price, Bangkok, white rice, 5% broken.

SUGAR: *China (Taiwan)* — Monthly average price of all kinds of sugar, f.o.b. Taiwan ports. *India* — Wholesale prices, 'D' 29 (Ex-Factory). *Philippines* — Wholesale prices of centrifugal sugar, Manila.

TEA: *Ceylon* — Export price at Colombo auctions after deducting the ad-Valorem duty, high grown. *China (Taiwan)*—Unit value of export of black tea. *India*—Export price at Calcutta auctions, leaf, all types. *Indonesia* — Unit value of exports.

PEPPER: *Cambodia* — Unit value exports of pepper. *India* — Wholesale prices, ungarbled (alleppey), Calcutta. *Indonesia* — Unit value of exports. *Malaysia: Sarawak* — Unit value of exports of black pepper. *Singapore* — Average wholesale prices, black Lampong.

HIDES: *Pakistan* — Average wholesale prices of wet salted, 80/20 specification (buffalo medium), Karachi

SKINS: *India* — Wholesale prices of raw goat skin, average quality, Calcutta. *Pakistan* — Average wholesale prices of sheep skin, Papra (dewooled all primes), Karachi.

GROUNDNUTS: *India*—Wholesale prices of groundnuts, machine shelled Cuddalore.

COPRA: *Ceylon* — F.o.b. prices for all grades. *Malaysia: West* — Wholesale prices, fair mixed sundried. *Indonesia* — Unit value of exports. *Philippines* — Wholesale prices, resecada, Manila.

RUBBER, NATURAL: *Ceylon* — F.o.b. prices of rubber (excl. latex). *Indonesia* — Export prices f.o.b. R.S.S. 1, Djakarta. *Singapore* — Buyers midday prices, f.o.b. Singapore No. 1 RSS in bales. Annual prices are the average of daily prices. *Thailand* — Unit value of exports of rubber smoked sheet. Annual figures relate to whole kingdom, monthly and quarterly figures relate to Port of Bangkok only. *United Kingdom* — Domestic/import price c.i.f. London, No. 1 RSS.

TIMBER: *Burma* — Unit value of teak exports. *Malaysia: Sabah* — Unit value of sawn logs and veneer logs, non-coniferous. *Philippines* — Unit value of exports of logs and lumber. *Thailand* — Unit value of exports of teak board.

WOOL, RAW: *Australia* — Average prices of greasy wool at auctions in Sydney. *New Zealand* — All qualities, average auction price of greasy wool. *Pakistan* — Unit value of exports.

COTTON, RAW: *Burma* — Unit value of exports. *India* — Wholesale prices, M.G. Moglai Jarilla Fine 25/32". *Pakistan* — Monthly average wholesale prices of 289 F. Punjab R.G., Karachi.

JUTE, RAW: *India* — Domestic prices at Calcutta, raw lightnings. *Pakistan* — Average wholesale price of jute raw, white (bottom) at Narayanganj. *United Kingdom* — Domestic/import price c.i.f. Dundee, Pakistan mill lightnings.

HEMP, RAW: *Philippines* — Abaca, manufactured domestic price at Manila. Prior to February 1968, abaca unmanufactured.

PETROLEUM, CRUDE: *Indonesia* — Unit value of exports of crude petroleum. *Iran* — Export price, f.o.b. Gach-Saran, ex Kharg Is., 31.0–31.9° API gravity. *Malaysia: Sarawak* — Unit value of exports of crude petroleum.

PETROLEUM PRODUCTS: *Indonesia* — Unit value of exports of motor spirit.

GROUNDNUT OIL: *India* — Wholesale prices, naked, Bombay.

PALM OIL: *Indonesia* — Unit value exports. *Singapore* — Monthly average wholesale produce prices f.o.b. Singapore.

COCONUT OIL: *Ceylon* — F.o.b. prices for all grades. *Philippines* — Wholesale prices, Manila. *Singapore* — Crude in second hand drum, f.o.b., Singapore.

RAYON YARN: *Japan* — Export prices f.o.b., viscose, 120 denier, hank, 1st grade.

COTTON PIECEGOODS: *India* — Average wholesale prices of grey long cloth, Century Mills, S. No. 304, 132 cms × 110 m (L.M.) *Bombay*. Beginning March 1969 revised price relates to grey long cloth 5225C 124 124 cms × 36 m (L.M.) of Elphintone Spg. Mills which is substituted on the basis of Rs. 1.14=101.1 (index). *Japan* — Export prices f.o.b. heavy shirting, S/2003, grey 38".

JUTE MANUFACTURES: *India* (bag) — Export prices of bags, B. Twills 1021 gr — 111.8 × 67.3 cm — 6" — 8", f.a.s., Calcutta. *India* (hessian) — Domestic/export prices of hessian cloth, 10½ oz., 41", Calcutta. Beginning 1968 Hessian cloth (Burlap) 283 gr. × 101.6 cms., f.a.s., Calcutta.

TIN: *Indonesia* — Unit value of exports of tin concentrates. *Singapore* — Prices ex-works. *Thailand* — Wholesale price of tin ore, Bangkok.

a. Average of less than 12 months.

b. New Rupiah.

c. Average of January-February.

d. March only.

30. WAGES

For index numbers, 1963 = 100[a]

	1967	1968	1968 I	1968 II	1968 III	1968 IV	1969 I	1969 II	1969 III	1969 Sep	1969 Oct	1969 Nov	1969 Dec
AUSTRALIA													
Index of wages[b]													
Adult males *(minimum weekly)*	120	125	122	123	125	130	131	132	133	133	133	...	...
BURMA													
Earnings[c] *(kyats)*													
Agricultural workers male	254	...	...	...	...	...	...	...	...	...	...	...	...
Manufacturing, male	161	...	...	...	...	...	...	...	...	...	...	...	...
CEYLON													
Index of wages													
Tea and rubber estate workers[d]	106	122	122	122	122	122	122	122	122	122	122	122	122
Government workers (Colombo)[e]	106	131	131	131	131	131	131	131	131	131	137	137	137
CHINA (Taiwan)													
Earnings[f] *(NT dollar)*													
Mining	...	1 842	1 914	1 790	1 761	1 986	2 001	2 013	2 018	2 011	2 005	2 167	2 174
Manufacturing	...	1 225	1 048	1 038	1 101	1 325	1 309	1 332	1 357	1 382	1 392	1 405	1 497
FIJI													
Index of wages[g]													
All industries	114	125	...	...	...	...	...	...	...	...	...	...	...
Manufacturing	111	115	...	...	...	...	...	...	...	...	...	...	...
Daily money wage rate of agricultural workers *(Fiji dollars)*	1.62	1.58	...	...	...	...	...	...	...	...	...	...	...
HONG KONG[h]													
Index of wages													
Textiles	143	150	...	...	...	...	...	...	...	...	...	...	...
Manufacturing	145	153	...	...	...	...	...	...	...	...	...	...	...
Utility and dockyard	148	166	...	...	...	...	...	...	...	...	...	...	...
INDIA													
Wages or earnings *(rupees)*													
Cotton mills[i] (Bombay, *monthly*)	207.6	219.5	219.7	219.4	219.2	219.6	219.2	225.6	232.6	231.3	231.3	231.3	229.1
Coal mines[j] (Jahria, *weekly*)	35.6	47.4	46.2	47.6	47.2	48.4	48.6	48.7	49.0	48.9	50.1	...	...
JAPAN													
Index of earnings[k]													
Mining	152	172	134	148	194	213	152	176	227	173	177	175	416
Manufacturing	152	176	131	161	184	229	147	188	219	167	167	173	478
Daily money wages of agricultural labour, male *(yen)*	1 005	1 204	1 024	1 247	1 256	1 288	1 177	1 360	1 371	1 377	1 450	1 423	1 402
KOREA, Republic of													
Wages[m] *(thousand wons)*													
Mining	11.7	12.1	11.3	11.7	12.2	13.1	14.2	15.0	...	...	...	...	...
Manufacturing	6.7	9.2	8.6	9.0	9.3	9.7	10.4	11.1	...	...	...	...	...
MALAYSIA: West Malaysia													
Earnings *(Malaysian dollar)*													
Rubber tappers *(monthly)*[n]	97	...	...	...	...	...	...	...	...	...	...	...	...
NEW ZEALAND													
Index of wages[p]													
Adult males *(All industries)*	118	123	120	120	127	128	128	129	129	129	...	...	...
PHILIPPINES													
Index of wages[q] *(Manila and suburbs)*													
Skilled	115	124	121	123	126	126	129	131	...	...	...	...	...
Unskilled	121	135	127	134	139	140	140	141	...	...	...	...	...
SINGAPORE[s] *(Singapore cents)*													
Earnings													
Mining and quarrying	119	122	...	...	...	...	...	...	...	...	...	...	...
Transport (include sea transport)	108	108	...	...	...	...	...	...	...	...	...	...	...
VIET-NAM, Republic of													
Earnings[t] (Saigon-Cholon, *piastre*)													
Skilled males	347.6	436.7	...	371.9	...	436.7	...	449.9	...	...	...	...	...
Unskilled males	234.3	280.3	...	255.0	...	280.3	...	311.6	...	...	...	...	...

a. Original base for index numbers: *Australia*, 1954; *Ceylon*, 1939; *Fiji*, 1965; *Hong Kong*, 1958; *Japan*, 1965; *New Zealand*, 1965; *Philippines*, 1955.
b. Annual figures relate to December.
c. Monthly earnings of workers remunerated wholly in cash. For manufacturing include salaried employees.
d. Daily rates of minimum wages (basic wages plus special allowance).
e. Monthly wage rates for unskilled male workers in government employment.
f. Monthly average of wages.
g. Relate solely to manual workers in regular wage earning employment at June of each year.
h. Daily wages excluding fringe benefits at March of each year.
i. Monthly minimum wages plus dearness allowance.
j. Average weekly earnings (basic wages plus dearness allowance and other payments) of underground miners and loaders in coal mines.
k. Average monthly cash earnings per regular worker.
m. Total monthly average earnings of production workers based on the payroll reports collected from representative sample establishments throughout the country engaged in mining and manufacturing.
n. Average monthly earnings at July.
p. Nominal weekly wage rates. As at the end of the period for quarterly figures.
q. Daily average wage rates of all classes of workers.
s. Average hourly earnings as at July of each year.
t. Daily average earnings at December, quarterly figures as at the end of period.

31. CONSUMER PRICE INDEX NUMBERS

1963 = 100[a]

	1967	1968	1968 I	1968 II	1968 III	1968 IV	1969 I	1969 II	1969 III	1969 Sep	1969 Oct	1969 Nov	1969 Dec
A. All Items													
AUSTRALIA[r]	113	116	115	116	116	117	118	119	120	120△	...	...	121△
CAMBODIA: Phnom-Penh	105	111	109	110	111	114	117	120	119	118	116	115	116
CEYLON: Colombo	106	112	109	110	112	115	117	119	120	121	122	124	124
CHINA (Taiwan)	105	113	107	113	118	116	115	116	120	121	132	126	120
FIJI[b]	112	117	116	116	117	119	‖103	103	104	104	104	106	106
HONG KONG[c]	111	114	113	114	117	112	117	116	121	120	120	118	119
INDIA[d] *(interim index)*	156	160	162	159	161	159	154	158	163	163	161	160	160
INDONESIA: Djakarta	25 612	57 712	52 770	54 659	60 572	62 846	61 212	59 279	60 873	61 326	62 760	63 433	64 656
IRAN	107	108	109	109	106	107	112	113	110	109	110	111	114
JAPAN	121	128	126	126	127	130	130	133	136	137	138	137	138
KOREA: Seoul	181	201	196	198	200	208	213	218	221	225	230	230	236
LAOS: Vientiane	274	288	279	287	294	291	292	298	299	298	295	297	298
MALAYSIA: West Malaysia *(all races)*	105	105	108	106	104	104	104	104	104	105	104	105	105
NEPAL:[e] Kathmandu	121	124	...	...	...	130	129	*130*	...	...	...	...	...
NEW ZEALAND	117	122	119	121	122	124	126	127	128	128△	...	...	129△
PAKISTAN: Karachi	126	126	125	126	126	127	129	129	131	132	131	133	134
Narayanganj	118	121	116	119	123	126	124	123	129	132	131	132	130
PHILIPPINES: Manila	125	125	124	123	125	127	123	124	129	130	130	131	134
SINGAPORE	107	108	109	107	108	107	107	108	108	108	107	108	110
THAILAND: Bangkok-Thonburi	111	113	112	114	113	114	114	115	116	118	117	117	116
VIET-NAM: Saigon	279	354[f]	348	343	366	375	390	404	442	461	475	497	500
WESTERN SAMOA: *Apia*	110	112	110	111	113	114	...	...	...	...	...	...	...
B. Food													
AUSTRALIA[r]	117	120	119	120	120	120	120	121	121	121△	...	...	122△
CAMBODIA: Phnom-Penh	93	101	97	99	100	106	110	114	113	112	109	107	108
CEYLON: Colombo	109	118	115	116	118	121	122	124	123	124	127	129	129
CHINA (Taiwan)	114	125	116	125	132	128	125	126	132	132	152	142	131
FIJI[b]	112	118	117	116	118	121	‖103	104	104	104	104	106	107
HONG KONG[c]	120	124	123	123	130	121	129	127	136	135	133	130	132
INDIA[d] *(interim index)*	164	170	171	167	169	166	157	162	168	168	167	165	164
INDONESIA: Djakarta	26 294	62 876	62 886	59 881	64 812	63 924	66 713	63 577	62 511	63 265	67 676	67 433	70 123
IRAN	110	110	113	113	107	108	116	117	109	108	108	110	114
JAPAN	123	131	132	129	130	133	134	136	142	143	144	141	142
KOREA: Seoul	171	190	184	186	188	201	206	207	212	217	224	224	235
LAOS: Vientiane	247	262	252	263	272	266	260	269	273	268	264	267	263
MALAYSIA: West Malaysia *(all races)*	106	105	109	106	104	103	102	102	103	103	102	104	104
NEPAL:[e] Kathmandu	126	128	...	...	...	136	119	*121*	...	...	...	...	...
NEW ZEALAND	119	122	120	122	123	125	127	128	129	130	130	129	128
PAKISTAN: Karachi	132	131	130	132	131	132	133	134	137	139	136	139	141
Narayanganj	120	123	117	120	125	128	124	124	131	136	134	135	132
PHILIPPINES: Manila	136	133	132	129	134	138	129	130	139	142	142	142	147
SINGAPORE	109	109	112	108	109	107	106	106	106	107	105	107	110
THAILAND: Bangkok-Thonburi	120	124	122	124	124	125	125	128	130	132	132	132	129
VIET-NAM: Saigon	364	479[f]	477	466	501	504	522	553	606	633	646	675	670
WESTERN SAMOA: *Apia*	102	104	101	103	106	108	...	...	...	...	...	...	...

GENERAL NOTE: Figures generally refer to working class expenditures except for the following countries: *China (Taiwan)*, city consumers; *Fiji*, Indian and Fijian workmen; *Hong Kong*, clerical and technical workers; *Iran*, salaried employees, artisans and trademen; *Japan*, consumers' households in all Japan excluding farmers' and fishermen's households and one-person households; *Republic of Korea*, salaried workers and wage earners; *Laos*, middle class; *Pakistan*, industrial workers; *Singapore*, low income clerks and labourers; *Thailand*, all families except those with very low or very high income; Western Samoa, total employees at European standard

△ Quarterly index for quarter ending in month shown.

a. Original base: Australia, 1966/1967; Cambodia, 1949; Ceylon, 1952; China (Taiwan), 1962-1964; Fiji, February 1960; Hong Kong, September 1963/August 1964; India, 1944; Indonesia, March 1957/February 1958; Iran, 21 March 1959/20 March 1960; Japan, 1965; Korea, Rep. of 1965; Laos, 1948; Malaysia, West, 1959; New Zealand, 1965; Pakistan, 1961; Philippines, 1955; Singapore, April/May 1960; Thailand, 1962; Viet-Nam, 1963; Western Samoa, first quarter 1951.

b. Beginning 1969, base 1968 = 100.

c. Base: September 1963/August 1964 = 100.

d. Excluding house rent.

e. Base: 1964 = 100.

f. Average of less than 12 months.

32. CURRENCY AND BANKING

End of period

	1967	1968	1968 I	1968 II	1968 III	1968 IV	1969 I	1969 II	1969 III	1969 Sep	1969 Oct	1969 Nov	1969 Dec
AFGHANISTAN *(million afghanis, Annual data: as of March 21 of following year, months ending the 21st)*													
Money supply	5 529	5 931	5 529	5 575	5 542	5 792	5 931	6 386	6 234	6 234	6 334	6 462	6 549
Currency: outside banks	4 804	5 238	4 804	4 953	4 987	5 111	5 238	5 741	5 765	5 765	5 792	5 798	5 884
Deposit money	725	693	725	622	555	681	693	645	469	469	542	664	665
Foreign assets *(net)*	1 366	1 455	1 366	1 291	1 081	1 078	1 455	1 337	1 175	1 175	1 176	1 337	1 180
Bank of Afghanistan	1 264	1 288	1 264	1 171	943	913	1 288	1 108	946	946	934	1 119	959
Commercial banks	102	167	102	120	138	165	167	229	229	229	242	218	222
Exchange rate													
Official rate	45.00	45.00	45.00	45.00	45.00	45.00	45.00	45.00	45.00	45.00	45.00	45.00	45.00
Free rate	79.02	75.07	79.02	76.55	72.54	73.67	75.07	75.60	72.84	72.84	73.05	73.89	75.82
AUSTRALIA *(million Australian dollars)*													
Money supply	4 495	4 752	4 507	4 414	4 421	4 752	4 885	4 751	4 756	4 756	4 865	4 990	5 206
Currency: outside banks	992	1 069	942	964	997	1 069	1 040	1 065	1 106	1 106	1 112	1 131	1 194
Deposit money	3 503	3 683	3 565	3 450	3 424	3 683	3 845	3 686	3 650	3 650	3 753	3 859	4 012
Foreign assets *(net)*	1 284	1 366	1 248	1 341	1 277	1 366	1 473	1 532	1 350	1 350	1 332	1 321	1 330
Government bond yield: short △	4.55	4.81	4.83	4.85	4.83	4.73	4.98	5.10	5.33	5.45	5.49	5.52	5.70
Government bond yield: long △	5.25	5.21	5.25	5.25	5.25	5.10	5.41	5.57	5.98	5.99	5.98	5.99	6.00
Exchange rate *(selling)*	.8953	.9033	.8977	.9042	.9017	.9033	.9009	.9010	.9041	.8992	.8992	.8992	.8969
BURMA *(million kyats)*													
Money supply	2 310	2 351	2 522	2 388	2 372	2 351	2 689	...	2 480	2 480	...	...	...
Currency: outside banks	1 719	1 742	1.908	1 787	1 768	1 742	2 084	...	1 895	1 895	...	...	...
Deposit money	591	609	614	601	604	609	605	...	585	585	...	...	...
Foreign assets *(net)*[a]	866	820	864	931	894	820	733	...	686	686	...	...	...
Union Bank of Burma	734	720	735	729	747	720	682	...	655	655	639	...	...
Commercial banks	168	136	165	238	183	136	87	133	67	67	...	...	...
Exchange rate	4.800	4.810	4.800	4.810	4.810	4.810	4.802	4.810	4.810	4.810	4.810	4.798	4.792
CAMBODIA *(million riels)*													
Money supply													
Currency in circulation	5 437	5 531	5 730	5 747	5 825	5 531	5 635	5 627	...	...	...	...	...
Demand deposits in commercial banks	1 775	1 765	1 697	1 707	1 898	1 765	1 817	1 526	1 468	1 468	1 565	1 785	...
Foreign assets	4 111	3 543	3 756	3 645	3 725	3 543	3 482	3 212	...	...	...	...	...
Banque Nationale du Cambodge	3 444	2 986	3 235	3 130	3 132	2 986	2 885	2 726	...	...	...	...	...
Commercial banks	666	557	521	515	593	557	597	486	620	620	661	622	600
Exchange rate *(official)*	35	35	35	35	35	35	35	35	55.54	55.54	55.54	55.54	55.54
CEYLON *(million rupees)*													
Money supply	1 790	1 896	1 814	1 840	1 832	1 896	1 893	1 901	1 868	1 868	1 875	1 885	1 868
Currency: outside banks	980	1 066	1 000	1 047	1 044	1 066	1 097	1 093	1 047	1 047	1 060	1 072	1 084
Deposit money	810	830	814	793	788	830	796	808	821	821	815	813	784
Foreign assets *(net)*[b]	−209	−338	−267	−309	−268	−338	−411	−485	−521	−521	−531	−559	−626
Central Bank of Ceylon *(net)*	−277	−423	−330	−391	−371	−423	−496	−568	−616	−616	−624	−654	−701
Commercial banks	120	157	120	148	166	157	143	145	154	154	156	156	138
Yield of long term gov't bonds[c] △	4.35	5.10	4.30	5.39	5.37	5.36	5.33	5.31	5.29	5.28	5.33	5.49	5.50
Exchange rate *(selling)*	5.940	5.940	5.940	5.940	5.940	5.940	5.940	5.940	5.970	5.970	5.970	5.970	5.970
CHINA (Taiwan) *(billion new Taiwan dollars)*													
Money supply	22.10	24.47	22.17	24.16	23.56	24.47	23.84	25.48	25.15	25.15	25.26	25.55	28.62
Currency: outside banks	8.36	9.41	8.34	8.97	8.67	9.41	9.21	9.72	9.92	9.92	9.92	10.39	11.02
Deposit money	13.74	15.06	13.83	15.19	14.89	15.06	14.63	15.76	15.23	15.23	15.34	15.16	17.60
Foreign assets *(net)*	15.67	13.73	15.35	16.02	15.34	13.73	14.39	16.26	16.96	16.96	17.49	17.24	17.52
Central Bank of China	12.57	13.40	12.76	12.99	12.81	13.40	14.90	17.20	18.28	18.28	18.51	18.60	18.70
Other banks	3.10	.34	2.59	3.03	2.54	.34	− .51	− .93	−1.33	−1.33	−1.02	−1.35	−1.19
Exchange rate *(selling)*	40.10	40.10	40.10	40.10	40.10	40.10	40.10	40.10	40.10	40.10	40.10	40.10	40.10
HONG KONG *(million HK dollars)*													
Money supply	4 834	5 128	4 723	4 790	4 973	5 128	5 207	5 191	5 500	5 500	5 766	5 761	5 830
Currency notes: in circulation	2 176	1 984	1 959	1 910	1 919	1 984	2 001	1 986	2 045	2 045	2 063	2 063	2 116
Deposit money	2 658	3 144	2 763	2 879	3 054	3 144	3 207	3 205	3 455	3 455	3 704	3 698	3 714
INDIA *(billion rupees)*													
Money supply	51.03	53.89	55.48	54.80	52.53	53.89	57.79	60.40	57.86	57.86	58.50	59.61	60.30
Currency: outside banks	32.10	33.72	33.76	34.48	33.54	33.72	36.82	37.87	35.86	35.86	36.19	36.86	37.60
Deposit money	18.93	20.17	21.72	20.32	18.99	20.17	20.97	22.53	22.00	22.00	22.31	22.75	22.70
Foreign assets *(net)*	.34	1.23	1.09	1.26	1.39	1.23	2.48	3.18	3.62	3.62	3.75	4.07	4.30
Yield of long term gov't bonds[d] △	5.52	5.08	5.31	5.00	4.99	5.00	4.99	5.00	5.00	5.00	5.00	5.00	5.00
Exchange rate *(selling)*	7.547	7.628	7.564	7.622	7.587	7.628	7.576	7.587	7.610	7.610	7.570	7.570	7.559

32. CURRENCY AND BANKING (*Cont'd*)

End of period

	1967	1968	1968 I	1968 II	1968 III	1968 IV	1969 I	1969 II	1969 III	1969 Sep	1969 Oct	1969 Nov	1969 Dec
INDONESIA *(billion new rupiahs)*													
Money supply	51.47	113.89	62.83	85.88	94.82	113.89	129.43	146.63	170.73	170.73	173.82	177.87	181.31
Currency: net active	34.10	74.68	41.17	56.92	62.17	74.68	81.07	88.58	101.86	101.86	104.15	109.02	114.97
Deposit money	17.37	39.21	21.66	28.96	32.66	39.21	48.37	58.04	68.86	68.86	69.67	68.84	66.33
Exchange rate													
Principal export rate	176	277	200	226	241	277	277	277	277	277	277	277	277
Principal import rate	235	326	267	302	321	326	326	326	326	326	326	326	326
Free (curb) rate	290	440	305	360	455	440	395	382	384	385	384	385	385
IRAN *(billion rials, Annual data: as of December 20; Monthly data ending the 20th)*													
Money supply	71.33	81.61	77.04	76.08	77.01	81.61	87.80	85.38	83.73	83.73	83.59	82.95	83.16
Currency: outside banks	27.41	30.61	30.77	28.21	28.27	30.61	34.04	31.54	32.09	32.09	32.00	31.86	31.99
Deposit money	43.92	51.00	46.27	47.87	48.74	51.00	53.76	53.84	51.64	51.64	51.59	51.09	51.17
Foreign assets *(net)*	21.90	19.84	23.81	22.46	18.01	19.84	18.54	21.47	21.12	21.12	22.03	21.54	22.05
Central Bank	23.12	21.07	26.30	22.85	19.30	21.07	19.77	22.50	23.77	23.77	24.24	23.41	23.49
Commercial banks	–1.23	–1.23	–2.48	– .39	–1.30	–1.23	–1.23	–1.03	–2.65	–2.65	–2.21	–1.87	–1.44
Exchange rate	75.75	75.75	75.75	75.75	75.75	75.75	75.75	75.75	75.75	75.75	75.75	75.75	75.75
JAPAN *(billion yen)*													
Money supply	13 369	15 155	12 946	13 442	13 256	15 155	14 817	15 633	15 865	15 865	15 991	17 098	18 282
Currency: outside banks	3 114	3 595	3 289	2 964	2 780	3 595	3 190	3 459	3 347	3 347	3 454	3 614	4 319
Deposit money	10 255	11 560	9 657	10 478	10 476	11 560	11 626	12 174	12 518	12 518	12 537	13 484	13 963
Foreign assets *(net)*[e]	356	759	266	347	544	759	856	1 083	1 324	1 324	1 393	1 482	1 560
Central Bank	731	1 046	715	720	856	1 046	1 158	1 126	1 187	1 187	1 190	1 278	1 315
Commercial banks *(net)*	–370	–284	–444	–368	–308	–284	–299	– 36	141	141	208	210	250
Yield of long term gov't bonds △	6.91	7.03	7.01	7.03	7.04	7.05	7.06	7.08	7.10	7.12	7.12	7.13	7.13
Exchange rate	361.9	357.7	362.0	361.5	358.8	357.7	357.9	359.0	357.6	357.7	357.7	357.8	357.8
KOREA, Republic of *(billion won)*													
Money supply	121.18	153.56	133.27	138.86	143.60	153.56	159.68	165.80	192.50	192.50	*200.96*	*216.36*	*217.95*
Currency: outside banks	57.62	81.94	59.51	61.58	68.34	81.94	67.50	76.30	95.40	95.40	*99.38*	*109.96*	*111.23*
Deposit money	63.56	71.62	73.76	77.28	75.26	71.62	92.18	89.50	97.10	97.10	*101.58*	*106.40*	*106.72*
Foreign assets, Bank of Korea *(net)*	65.96	101.65	74.09	88.17	91.18	101.65	97.29	107.90	...	...	...	...	...
Exchange rate *(official)*	274	281	274	274	279	281	283	285	289	289	291	304	304
MALAYSIA *(million Malaysian dollars)*													
Money supply	1 514	1 687	1 453	1 431	1 518	1 687	1 712	1 746	1 819	1 819	1 853	1 844	1 911
Currency: outside banks	772	805	733	713	763	805	843	859	927	927	934	951	970
Deposit money	742	882	720	718	755	882	869	887	892	892	919	893	941
Foreign assets *(net)*	1 454	1 517	1 344	1 363	1 392	1 517	1 632	1 868	2 118	2 118	2 174	2 156	2 149
Central Bank	1 399	1 579	1 325	1 416	1 394	1 579	1 672	1 883	2 104	2 104	1 155	2 131	2 083
Commercial banks	56	– 59	19	– 53	– 1	– 59	– 39	– 14	15	15	20	25	66
Exchange rate	3.07	3.08	3.07	3.09	3.09	3.08	3.07	3.08	3.08	3.08	3.07	3.08	3.09
NEPAL *(million rupees, annual data as of mid-January of following year, monthly data as of middle of following month)*													
Money supply	562.1	632.3	634.9	617.8	609.0	632.3	723.5	710.4	733.8	733.8	732.3	747.8	762.4
Currency: outside banks	381.7	440.2	451.9	419.1	422.3	440.2	509.5	470.2	485.4	485.4	488.4	487.3	510.7
Deposit money	180.4	192.1	183.0	198.7	186.7	192.1	214.0	240.2	248.4	248.4	243.9	260.5	251.7
Foreign assets	532.4	725.3	598.4	637.6	680.8	725.3	777.1	885.6	948.8	948.8	949.4	929.0	973.4
Central Bank	505.2	662.4	564.1	601.6	615.1	662.4	708.9	785.0	843.5	843.5	846.7	826.4	876.7
Commercial banks	27.2	63.0	34.2	36.0	65.7	63.0	68.2	100.6	105.3	105.3	102.8	102.6	96.7
Exchange rate	10.125	10.125	10.125	10.125	10.125	10.125	10.125	10.125	10.125	10.125	10.125	10.125	10.125
NEW ZEALAND *(million New Zealand dollars)*													
Money supply	784.3	781.2	709.2	729.2	712.9	781.2	698.0	762.1	748.9	748.9	...	...	...
Currency: outside banks	153.2	154.5	131.7	131.0	136.9	154.5	142.6	141.8	146.7	146.7	...	...	...
Deposit money	631.1	626.7	577.5	598.2	576.0	626.7	555.4	620.3	602.2	602.2	...	...	...
Foreign assets *(net)*	–36.1	55.8	76.7	118.2	82.4	55.8	127.5	173.6	167.7	167.7	...	...	...
Reserve Bank	–62.3	10.2	19.3	58.3	36.8	10.2	43.3	89.8	102.0	102.0	113.6	122.0	89.4
Trading banks	26.2	45.5	57.4	60.0	45.7	45.5	84.3	83.8	65.7	65.7	...	...	...
Government bond yield △	5.51	5.53	5.53	5.54	5.51	5.53	5.55	5.55	5.55	5.54	5.54	5.53	5.53
Exchange rate *(selling)*	0.8956	0.9402	0.8986	0.9047	0.9242	0.9042	0.9007	0.9018	0.9050	0.9050	0.8997	0.8997	0.8979

32. CURRENCY AND BANKING (*Cont'd*)

End of period

	1967	1968	1968 I	1968 II	1968 III	1968 IV	1969 I	1969 II	1969 III	1969 Sep	1969 Oct	1969 Nov	1969 Dec
PAKISTAN *(million rupees)*													
Money supply	11 684	11 756	10 797	10 860	10 857	11 756	12 212	12 258	...	...	...	...	...
Currency: outside banks	5 930	6 505	6 053	5 885	5 940	6 505	6 795	6 783	...	...	...	...	...
Deposit money	5 754	5 251	4 743	4 976	4 917	5 251	5 417	5 475	...	...	...	...	...
Foreign assets *(net)*[f]	884	1 420	1 027	1 035	1 257	1 422	1 659	1 680	1 625	1 625	1 600	1 660	1 687
State Bank	1 086	1 518	1 190	1 248	1 284	1 518	1 776	1 824	1 887	1 887	1 879	1 910	1 913
Commercial banks	– 15	211	26	– 37	89	213	191	172	142	142	126	155	178
Yield of long-term gov't bonds[g] △	4.47	4.73	4.47	4.47	4.82	5.17	5.19	5.20	5.22	5.23	5.23	5.23	5.24
Exchange rate *(selling)*	4.774	4.809	4.788	4.810	4.809	4.809	4.802	4.808	4.809	4.809	4.798	4.797	4.791
PHILIPPINES *(million pesos)*													
Money supply	3 345	3 462	3 250	3 166	3 102	3 462	3 376	3 525	3 780	3 780	3 912	3 916	4 279
Currency: outside banks	1 756	1 777	1 711	1 697	1 680	1 777	1 679	1 691	1 791	1 791	1 931	1 947	2 119
Deposit money	1 589	1 685	1 539	1 469	1 422	1 685	1 697	1 834	1 989	1 989	1 981	1 969	2 160
Foreign assets *(net)*	–175	–399	–364	–443	–416	–399	–450	–674	–883	–883	–883	–906	–896
Central Bank	–489	–657	–609	–583	–628	–657	–809	–960	–1 060	–1 060	–1 073	–1 086	–1 069
Other banks	314	258	244	140	212	258	360	286	177	177	190	181	174
Exchange rate *(selling)*	3.93	3.93	3.93	3.93	3.93	3.93	3.93	3.93	3.93	3.93	3.94	3.94	3.94
THAILAND *(billion baht)*													
Money supply	17.87	19.48	18.52	17.76	18.40	19.48	19.72	18.89	19.32	19.32	19.54	19.85	20.30
Currency: outside banks	9.91	10.69	10.47	9.77	9.94	10.69	11.06	10.21	10.40	10.40	10.52	10.69	11.01
Deposit money	7.96	8.79	8.04	7.99	8.47	8.79	8.66	8.68	8.92	8.92	9.02	9.16	9.29
Foreign assets *(net)*	19.06	19.51	19.69	19.77	19.58	19.51	19.90	19.42	18.98	18.98	18.55	18.70	18.60
Bank of Thailand	20.99	21.24	21.99	21.86	21.65	21.24	21.67	21.30	20.78	20.78	20.18	20.32	20.49
Commercial banks	–1.94	–1.73	–2.29	–2.10	–2.07	–1.73	–1.78	–1.88	–1.80	–1.80	–1.63	–1.62	–1.89
Government bond yield △	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00
Exchange rate *(selling)*	20.80	20.85	20.80	20.80	20.85	20.85	20.85	21.00	21.00	21.00	21.00	21.00	21.00
VIET-NAM, Republic of *(billion piastres)*													
Money supply	85.00	126.20	102.88	116.08	125.65	126.20	132.78	134.57	137.38	137.38	138.70	140.87	142.96
Currency: outside banks	62.17	93.27	78.87	88.85	94.31	93.27	98.81	98.34	101.93	101.93	104.03	107.10	108.11
Deposit money	22.83	32.93	24.01	27.23	31.34	32.93	33.97	36.23	35.45	35.45	34.68	33.77	34.85
Foreign assets *(net)*[h]	21.04	23.97	22.76	24.60	28.36	23.97	20.97	17.50	18.49	18.49	20.00	19.76	17.07
Exchange rate													
Trade rate / Invisible rate	118.0	118.0	118.0	118.0	118.0	118.0	118.0	118.0	118.0	118.0	118.0	118.0	118.0
WESTERN SAMOA *(thousand Western Samoa dollars)*													
Money supply													
Currency in circulation	288.8	345.0	248.5	284.8	296.3	345.0	...	...	...	...	...	...	...
Deposit money	1 688.4	1 939.5	1 675.4	1 838.9	1 997.1	1 939.5	...	...	...	...	...	...	...
Foreign assets													
Bank of Western Samoa	1 187.4	1 407.9	1 213.4	1 419.9	1 629.6	1 407.9	...	...	...	...	...	...	...
Exchange rate	0.70	0.70	0.70	0.70	0.70	0.70	...	...	...	...	...	...	...

GENERAL NOTE: Exchange rates are shown in unit of national currency per US dollar. The Indonesian new rupiah equivalent to 1,000 old rupiah, was introduced on 14 December 1965. The Australian and New Zealand "dollar" equal to one half of former Australian and New Zealand pound, was established 14 February 1966 and 10 July 1967 respectively.

△ Monthly averages or calendar months. Per cent per annum.

a. Union Bank and other banks foreign assets minus Use of Fund Credit.

b. Deduct foreign liabilities of Deposit Money Banks.

c. Yield to maturity of the 4½ per cent loan of 1985-1989.

d. Running yield of 3% consols 1986 to earliest redemption date.

e. Monetary Authorities and Deposit Money Banks foreign assets minus their liabilities.

f. Deduct foreign liabilities of State Bank.

g. Yield to maturity of 4½ per cent bond maturing in 1980.

h. National Bank and Commercial banks foreign assets minus their foreign liabilities and use of Fund Credit. It revalued in June 1966 at 118 piastres per US dollar.

33. BALANCE OF PAYMENTS

	1966	1967	1968	First half 1968	First half 1969
AUSTRALIA *(million Australian dollars)*					
Goods and Services					
Transfers	—630	—835	—1 220	—634	—428
Exports—Imports fob	66	22	—261	—181	94
Nonmonetary Gold	26	21	23	12	9
Transportation & Merchandise Insurance	—233	—244	—288	—144	—145
Travel	— 64	— 63	— 42	— 31	— 31
Investment Income	—258	—356	—462	—203	—250
Central Gov't, n.i.e.	14	— 13	— 22	— 10	— 19
Other Services and Transfers	—181	—202	—168	— 77	— 86
Capital n.i.e.:					
Private	813	678	1 215	657	541
Central Government	—151	126	67	16	25
Monetary Authorities and Banks	— 32	31	— 62	— 39	—138
Monetary Gold	21	— 7	— 23	— 23	— 1
IMF Accounts	— 31	— 31	— 45	— 66	24
Other Assets (net)	— 22	69	6	50	—161
BURMA *(million kyats)*					
Goods and Services	— 99	—151	—435	—176	—139
Trade Balance cif	72	— 45	—325	—124	— 70
Investment Income	2	4	3	2	— 4
Central Gov't, n.i.e.	—111	— 70	— 73	— 36	— 49
Other	— 62	— 40	— 40	— 18	— 16
Transfers: Private	3	4	4	3	2
Central Gov't	103	21	41	20	43
Capital n.i.e.:					
Private	—	—	—	—	—
Central Government	41	52	136	— 10	— 47
Comm. Banks: Assets	—	— 98	32	70	2
Liabilities	2	14	133	102	27
Monetary Authorities	— 36	174	31	5	84
Union Bank Monetary Gold	—	—	—	—	—
IMF Accounts	—	71	—	— 9	—
Union Bank Foreign Exchange (Net)	— 40	103	31	14	84
Government Assets	4	—	—	—	—
Net Errors and Omissions	— 14	— 16	58	— 14	28
CEYLON *(million US dollars)*					
Goods and Services	—68.8	—63.7	—62.1	—40.9	—54.5
Trade Balance cif	—72.7	—69.3	—64.3	—41.9	—50.5
Investment Income	— 7.8	—11.1	— 8.7	— 4.6	— 7.7
Other	11.7	16.7	10.9	5.6	3.7
Transfers: Private	— 5.4	— 5.2	— 2.3	— 1.9	— 1.4
Central Gov't	13.2	9.5	4.8	1.8	—
Capital n.i.e.:					
Private	— 7.1	0.2	— 3.0	— 0.2	— 2.0
Central Government	15.8	26.7	36.0	20.4	29.4
Comm. Banks: Assets	— 4.4	— 1.1	— 6.3	— 4.7	2.1
Liabilities	1.7	2.5	0.5	.7	—
Monetary Authorities	53.1	29.6	36.2	28.1	25.4
IMF Accounts	15.7	22.8	29.3	27.0	— 0.3
Other Central Bank Assets	29.2	—21.2	4.2	5.1	12.6
Other Central Bank Liabilities	6.7	23.6	— 8.3	—12.4	13.1
Government Payments Agreements	1.5	4.4	11.0	8.4	...
Net Errors and Omissions	1.9	1.5	— 3.8	— 3.3	1.0
CHINA (Taiwan) *(million US dollars)*					
Goods and Services	— 26	— 71	—134	— 24	— 18
Trade Balance cif	— 42	— 62	— 74	— 12	— 23
Central Gov't, n.i.e.	32	20	12	12	13
Other	— 16	— 29	— 72	— 24	— 8
Transfers: Private	18	26	15	6	12
Central Gov't	6	— 2	1	— 2	—
Capital n.i.e.:					
Private	82	95	70	24	61
Central Government	— 10	15	31	25	— 1
Comm. Banks: Assets	— 47	— 54	44	— 19	11
Liabilities	— 1	43	20	21	23
Monetary Authorities	— 22	— 48	— 21	— 11	— 95
Central Bank Assets	— 22	— 48	— 21	— 11	— 95
Central Bank Liabilities	—	—	—	—	—
Other Assets and Liabilities	—	—	—	—	—
Net Errors and Omissions	—	— 4	— 26	— 20	7

	1966	1967	1968	First half 1968	First half 1969
INDIA *(million US dollars)*					
Goods and Services	—1 147	—1 304	—840	—552	...
Trade Balance fob/cif	—1 069	—1 134	—635	—448	...
Investment Income	—254	—276	—278	—144	...
Central Gov't, n.i.e.	150	83	37	28	...
Other	26	23	36	12	...
Transfers: Private	178	139	160	77	...
Central Gov't	127	44	16	1	...
Capital n.i.e.:					
Private	14	3	— 13	4	...
Central Government	837	1 199	927	631	...
Comm. Banks: Assets	— 57	36	36	42	...
Liabilities	— 11	— 7	— 19		
Monetary Authorities	11	14	— 76	— 89	...
Monetary Gold	38	—	—	—	...
IMF Accounts	75	95	— 83	— 50	...
Other Assets	— 96	— 85	— 24	— 39	...
Other Liabilities	— 6	4	31		
Net Errors and Omissions	48	—124	—191	—114	...
INDONESIA *(million US dollars)*					
Goods and Services	—132	—282	—251	...	— 89
Exports and Imports fob	110	— 35	41	...	84
Transportation	— 88	— 99	—109	...	— 53
Investment Income	— 47	— 63	— 78	...	— 50
Other	—107	— 85	—105	...	— 70
Private Capital	34	84	26	...	28
Official transfer and capital	96	219	217	...	107
Monetary Authorities	11	9	12	...	— 48
IMF Position	—	— 14	15	...	— 4
Short Term Liabilities	6	9	— 3	...	28
Short Term Assets	5	14	—	...	— 72
Monetary Gold	—	—	—	...	—
Net Errors and Omissions	— 9	— 30	— 4	...	2
IRAN *(million US dollars)*					
Goods and Services	—131	—137	—340	...	...
Trade Balance cif: Oil Sector	1 148	1 374	1 555	...	...
Trade Balance cif: Other	—720	—893	—1 194	...	...
Investment Income	—448	—553	—641	...	...
Other	—111	— 65	— 60	...	...
Transfers: Private	3	3	6	...	...
Central Gov't	8	7	3	...	...
Capital n.i.e.:					
Private	86	47	60	...	...
Central Government	84	122	349	...	...
Comm. Banks: Assets	13	2	— 6	...	...
Liabilities	— 3	6	— 2	...	...
Monetary Authorities	— 9	— 32	104	...	...
Monetary Gold	15	— 14	— 14	...	...
IMF Accounts	— 14	— 14	31	...	...
Other Assets	— 10	— 4	87	...	...
Net Errors and Omissions	— 51	— 18	—174	...	...
JAPAN *(million US dollars)*					
Goods and Services	1 389	— 12	1 223	—	841
Trade Balance fob	2 275	1 160	2 529	664	1 527
Transportation	—606	—816	—869	—450	—436
Central Gov't, n.i.e.	444	475	552	257	291
Other Services	—724	—831	—989	—471	—541
Transfers: Private	— 6	— 23	— 26	— 27	— 28
Central Gov't	—129	—155	—149	— 77	— 78
Capital n.i.e.	—872	—306	— 30	— 34	103
Comm. Banks: Assets	—113	—478	—724	—182	—351
Liabilities	—276	989	486	177	—339
Monetary Authorities	52	60	—864	31	—225
Monetary Gold	—1	— 9	— 17	— 17	— 7
IMF Accounts	— 66	82	— 50	— 32	— 92
Foreign Exchange	100	16	—809	78	—124
Other (net)	19	— 29	12	2	— 2
Net Errors and Omissions	— 45	— 75	84	112	77

33. BALANCE OF PAYMENTS (*Cont'd*)

	1966	1967	1968	First half 1968	First half 1969
KOREA, REPUBLIC OF *(million US dollars)*					
Goods and Services	—323	—417	—666	—311	—372
Trade Balance fob	—429	—574	—836	—399	—473
Central Gov't, n.i.e.	123	189	233	117	137
Other	— 17	— 32	— 63	— 29	— 36
Transfers: Private	98	91	105	48	58
Central Gov't	122	134	121	44	48
Capital n.i.e.:					
Private	184	280	420	216	210
Central Government	37	12	21	6	76
Comm. Banks: Assets	— 3	— 55	75	56	7
Liabilities	2	1	54	41	19
Monetary Authorities	—117	— 57	—133	— 78	— 20
IMF Accounts	— 1		6	— 7	—
Bank of Korea Assets	— 97	— 57	—134	— 73	— 32
Committed Assets	—	—	—	—	...
Other Liabilities	— 19	—	— 5	2	12
Net Errors and Omissions		11	3	— 22	— 26
MALAYSIA *(million Malaysian dollars)*					
Goods and Services	115	132	342	...	...
Trade Balance fob	553	475	663	...	...
Freight & Merchandise Insurance	—165	—170	—179	...	...
Investment Income	—271	—140	— 82	...	...
Central Gov't, n.i.e.	189	153	145	...	...
Other	—191	—186	—205	...	...
Transfers: Private	—196	—185	—180	...	...
Central Gov't	90	42	37	...	...
Capital n.i.e.:					
Private	229	184	173	...	...
Central Government	— 49	—125	10	...	...
Comm. Banks: Assets	— 6	191	— 29	...	...
Liabilities	39		144	...	...
Monetary Authorities	135	51	— 95	...	...
Monetary Gold	4	— 94	—106	...	...
IMF Accounts	— 20	— 35	— 4	...	...
Central Gov't Assets	243	180	93	...	...
State Gov'ts Assets	— 47	1	— 7	...	...
Currency Board	— 90	850	107		
Other Central Bank Assets	34	—777	—177	...	...
Other Central Bank Liabilities	5	— 74	— 1	...	...
Net Errors and Omissions	—357	— 290	—402	...	...
NEW ZEALAND *(million US dollars)*					
Goods and Services	—115.4	—136.4	78.8	112.6	...
Trade Balance fob	165.0	133.2	280.3	205.3	...
Transportation & Merchandise Insurance	—87.1	—76.7	—61.8	—31.8	...
Travel	41.8	—37.5	—23.5	—10.9	...
Investment Income	—56.1	—69.2	—53.5	25.7	...
Other	—95.4	—86.2	—62.7	—24.3	...
Transfers: Private	— 5.5	— 8.3	— 0.4	1.7	...
Central Gov't	.5	.9	3.1	2.6	...
Capital n.i.e.:					
Private	.2	20.8	5.1	9.2	...
Central Government	37.9	66.8	21.8	41.4	...
Comm. Banks: Assets	12.5	2.0	—22.0	6.6	...
Liabilities	2.4	— 4.7	0.4	—44.4	...
Monetary Authorities	63.1	55.9	—81.0	—134.1	...
Monetary Gold	-	-	—	—	...
IMF Accounts	- -	89.2	—99.3	—70.0	...
Foreign Assets	1.8	—55.4	59.0	—33.7	...
Liabilities	61.3	22.1	—40.7	—30.4	...
Net Errors and Omissions	4.3	3.0	— 5.7	4.4	...
PAKISTAN *(million rupees)*					
Goods and Services	—2 146	—3 416	—2 455	—1 345	—1 026
Trade Balance fob	—1 419	—2 594	—1 544	—911	—606
Central Gov't, n.i.e.	— 97	—100	—121	— 43	— 43
Other	—630	—722	—790	—391	—377
Transfers: Private	177	197	375	151	248
Central Gov't	760	1 009	917	503	167
Capital n.i.e.:					
Private	310	411	236	95	155
Central Government	903	1 523	1 241	756	777
Comm. Banks: Assets	25	172	— 25	25	9
Liabilities	— 47	78	33	— 16	— 52
Monetary Authorities	45	153	—228	—160	—186
Monetary Gold	-	—	— 2	— 2	—
IMF Accounts		— 9	121	— 11	— 8
Other Assets (Net)	45	162	—347	—147	—178
Net Errors and Omissions	— 27	—127	— 94	— 9	— 92

	1966	1967	1968	First half 1968	First half 1969
PHILIPPINES *(million US dollars)*					
Goods and Services	65	—211	—395	—192	—214
Exports—Imports fob	— 25	—241	—302	—120	—146
Nonmonetary Gold	16	17	18	9	9
Investment Income	— 37	— 76	— 97	— 54	— 36
Central Gov't, n.i.e.	74	93	110	44	38
Other	37	— 4	—124	— 71	— 79
Transfers: Private	52	114	90	48	55
Central Gov't	44	72	37	23	22
Capital n.i.e.:					
Private	— 29	10	277	37	95
Central Government	— 23	— 30	37	—	3
Comm. Banks: Assets	— 29	— 25	— 6	24	8
Liabilities	— 53	— 31	14	— 7	— 13
Monetary Authorities	29	131	40	21	80
IMF Accounts	— 23	28	55	37	—
Other Central Bank Assets	22	36	18	— 8	56
Other Central Bank Liabilities	18	106	— 33	— 8	24
Committed Assets	12	— 39	...	—	...
Net Errors and Omissions	— 56	— 30	— 94	46	— 36
SINGAPORE *(million Singapore dollars)*					
Goods and Services	48	—188	—458	...	—229
Trade Balance fob	—657	—909	—1 170	...	—578
Freight and Insurance	—223	—248	—299	...	—165
Transportation	274	348	409	...	201
Travel	72	108	128	...	95
Other	582	514	474	...	218
Transfers payments	— 45	— 39	— 41	...	— 18
Non-monetary Capital					
Private	94	104	122	...	53
Official	— 43	9	172	...	15
Monetary Movements	—187	—359	—644	...	— 48
Net IMF Accounts	— 23	—	—	...	—
Central monetary institution assets	— 53	— 29	— 6	...	— 41
Commercial Bank's foreign assets	— 34	— 55	115	...	6
Central gov't assets	— 77	—275	—753	...	— 13
Net Errors and Omissions	133	473	849	...	227
THAILAND *(million US dollars)*					
Goods and Services	— 18	—108	—212	— 84	—140
Export—Imports (cif)	—209	—385	—497	—226	—268
Nonmonetary Gold	— 6	— 7	— 11	— 6	— 5
Central Gov't, n.i.e.	162	222	245	119	109
Other	35	62	51	29	24
Transfers: Private	10	9	7	5	5
Central Gov't	37	49	67	25	31
Capital n.i.e.:					
Private	52	82	88	36	68
Central Government	10	21	29	14	15
Comm. Banks: Assets	— 12	16	— 31	1	9
Liabilities	38	20	22	8	—
Monetary Authorities	—180	— 96	— 13	— 43	— 2
IMF Accounts	— 5	—	—	—	—
Other Assets	—179	— 96	— 13	— 43	— 2
Other Liabilities	4	—	—	—	—
Net Errors and Omissions	63	7	43	38	14
VIET-NAM, REPUBLIC OF *(million US dollars)*					
Goods and Services	—275	—339	—353	...	...
Trade Balance cif	—631	—712	—627	...	...
Investment Income	—	— 3	4	...	...
Central Gov't, n.i.e.	306	382	278	...	...
Other	50	— 6	— 8	...	...
Transfers: Private	11	8	11	...	...
Central Gov't	438	416	393	...	...
Capital n.i.e.:					
Private	— 2	1	— 15	...	...
Central Government	— 39	— 58	— 22	...	...
Comm. Banks: Assets	— 14	16	— 36	...	...
Liabilities	7	— 16	17	...	...
Monetary Authorities	—128	— 28	—	...	...
Monetary Gold	— 6	2	—	...	...
IMF Accounts	—	— 4	—	...	...
Other National Bank Net Assets	—122	— 26	—	...	...
Net Errors and Omissions	1	—	5	...	...

34. GOVERNMENT REVENUE AND EXPENDITURE

	Type of account	Total revenue	Total expenditure	Balance
AFGHANISTAN *(million afghanis)*				
1965/66	A	4 146	10 430	—6 284
1966/67	A	4 285	8 785	—4 500
1967/68	A	4 247	7 954	—3 707
1968/69	E	4 567	8 782	—4 215
1969/70	E	5 085	9 967	—4 882
AUSTRALIA *(million Australian dollars)*				
Commonwealth Government				
1965/66	A	4 498	4 384	+ 114
1966/67	A	4 762	4 898	— 136
1967/68	A	5 277	5 490	— 213
1968/69	A	5 910	5 721	+ 189
State and local governments				
1965/66	A	1 472	3 415	—1 943
1966/67	A	1 626	3 690	—2 064
1967/68	A	1 771	4 019	—2 248
1968/69	A	1 972	4 429	—2 457
BRUNEI *(million Malaysian dollars)*				
1965	A	120.8	116.6	+ 4.2
1966	A	122.4	150.8	— 28.4
1967	DE	142.2	154.1	— 11.9
1968	DE	191.7	185.6	+ 6.1
BURMA *(million kyats)*				
1965/66	A	1 825	1 410	+ 415
1966/67	A	1 435	1 482	— 47
1967/68	A	1 453	1 432	+ 21
1968/69	RE	1 361	1 579	— 218
1969/70	DE	1 537	1 692	— 155
CAMBODIA *(million riels)*				
1965	E	4 130	5 989	—1 859
1966	E	4 931	6 891	—1 960
1967	E	5 440	6 488	—1 048
1968	E	5 876	7 000	—1 124
CEYLON *(million rupees)*				
1965/66	A	1 574	2 140	— 566
1966/67	A	1 687	2 294	— 607
1967/68	DE	1 776	2 576	— 800
1968/69	DE	2 037	2 927	— 890
CHINA (Taiwan) *(million new Taiwan dollars)*				
1965/66	A	13 286	15 010	—1 725
1966/67	A	13 465	15 157	—1 692
1967/68	A	17 362	20 034	—2 672
1968/69	A	19 468	20 773	—1 305
1969/70	DE	21 030	24 271	—3 241
1970/71	DE	25 037	27 838	—2 801
HONG KONG *(million Hong Kong dollars)*				
1965/66	A	1 571	1 750	— 179
1966/67	A	1 745	1 764	— 19
1967/68	A	1 826	1 744	+ 82
1968/69	RE	1 969	1 890	+ 79
1969/70	DE	2 063	2 064	— 1
INDIA *(million rupees)*				
Central Government				
1965/66	A	28 536	40 897	—12 361
1966/67	A	30 559	47 767	—17 208
1967/68	A	31 614	46 216	—14 602
1968/69	RE	35 243	48 515	—13 272
1969/70	DE	37 976	50 118	—12 142
States				
1965/66	A	18 503	27 213	—8 710
1966/67	A	21 352	29 468	—8 116
1967/68	A	23 247	30 729	—7 482
1968/69	RE	25 656	34 207	—8 551
1969/70	DE	27 214	36 006	—8 792
INDONESIA *(million new rupiah)*				
1965	PR	923.4	2 526.3	—1 602.9
1966	PR	13 140	28 610	— 15 470
1967	PR	58 100	87 500	— 29 400
1968	PR	149 746	175 305	—25 559
Jan-Mar 1969	PR	45 924	57 049	—11 125
1969/70	DE	228 000	310 918	—82 918
1970/71	DE	320 583	413 525	—92 942
IRAN *(million rials)*				
1965/66	PR	95 200	99 900	— 4 700
1966/67	PR	97 300	108 800	—11 500
1967/68	PR	110 200	140 300	—30 100
1968/69	PR	136 200	179 200	—43 000
1969/70	E	160 600	204 800	—44 200
JAPAN *(billion yen)*				
1965/66	A	4 465	4 465	—
1966/67	A	5 044	5 259	— 215
1967/68	A	6 041	6 148	— 107
1968/69	RE	7 128	7 368	— 240
1969/70	DE	8 313	8 285	+ 28
KOREA, Republic of *(billion won)*				
1965	A	78.23	106.11	—27.88
1966	A	121.85	166.37	—44.52
1967	A	177.57	214.40	—36.83
1968	RE	263.52	316.51	—52.99
1969	DE	325.49	372.13	—46.64
LAOS *(million kip)*				
1965/66	DE	3 649	14 451	—10 802
1966/67	DE	5 929	15 283	— 9 354
1967/68	DE	7 220	15 933	— 8 713
1968/69	DE	7 234	15 808	— 8 574
1969/70	DE	8 544	17 344	— 8 800
MALAYSIA *(million Malaysian dollars)*				
1965	A	1 533	2 090	— 557
1966	A	1 605	2 210	— 605
1967	A	1 760	2 392	— 632
1968	RE	1 809	2 434	— 625
1969	DE	1 901	2 611	— 710
NEPAL *(million rupees)*				
1965/66	RE	244.1	441.5	—197.4
1966/67	RE	256.7	447.8	—191.1
1967/68	RE	326.0	462.0	—136.0
1968/69	RE	400.2	593.7	—193.5
1969/70	DE	442.3	841.0	—398.7
NEW ZEALAND *(million New Zealand dollars)*				
1965/66	A	1 040.4	1 174.5	—134.1
1966/67	A	1 108.9	1 284.9	—176.0
1967/68	E	1 155.5	1 316.7	—161.2
1968/69	E	1 171.7	1 367.0	—195.3
PAKISTAN *(million rupees)*				
Central Government				
1965/66	A	3 668	6 417	—2 749
1966/67	A	4 492	6 910	—2 418
1967/68	RE	4 946	7 752	—2 806
1968/69	DE	5 698	8 823	—3 125
States				
1965/66	A	2 850	3 867	—1 017
1966/67	A	2 874	5 224	—2 350
1967/68	RE	3 339	5 790	—2 451
1968/69	DE	3 719	7 217	—3 498
PHILIPPINES *(million pesos)*				
1965/66	A	2 063	2 357	— 294
1966/67	A	2 625	2 762	— 137
1967/68	A	2 886	3 200	— 314
1968/69	RE	3 336	3 667	— 331
1969/70	DE	3 797	3 583	+ 214
SINGAPORE *(million Singapore dollars)*				
1965	A	507.5	534.5	— 27.0
1966	A	562.9	678.2	—115.3
1967	A	630.2	683.4	— 53.2
1968	DE	618.0	864.5	—246.5
1969/70	DE	929.2	1 273.4	—344.2
THAILAND *(million baht)*				
1965/66	A	12 513	13 558	—1 045
1966/67	A	14 592	16 880	—2 288
1967/68	A	16 258	19 682	—3 424
1968/69	A	18 173	23 324	—5 151
1969/70	RE	19 214	26 454	—7 240
VIET-NAM, Republic of *(million piastres)*				
1965		16 284A	51 270RE	—34 986
1966	A	39 740	64 010	—24 270
1967	A	47 570	87 460	—39 890
1968	A	52 140	108 990	—56 850
1969	RE	77 170	151 000	—73 830

35. MAJOR COMPONENTS OF TAX REVENUE

	Type of account	Total revenue	Tax revenue	Tax on income and wealth	Land tax	Customs duties			Transaction and consumption taxes	Licences, stamp duties, registration fees, etc.	Other tax revenue
						Total	Import duties	Export duties			
AFGHANISTAN *(million afghanis)*											
1965/66	A	4 146	3 473	493	82	1 268	1 129	139	1 516	69	45
1966/67	A	4 285	3 651	514	89	1 618	1 451	167	1 350	80	—
1967/68	A	4 247	3 749	331	86	1 680	1 515	165	1 575	76	1
1968/69	E	4 567	3 804	486	110	1 663	1 483	180	1 367	66	112
1969/70	E	5 085	4 239	573	150	1 785	1 588	197	1 535	72	124
AUSTRALIA *(million Australian dollars)*											
Commonwealth Government											
1965/66	A	4 498	4 185	2 587	—	271	271	—	1 122	—	205
1966/67	A	4 762	4 454	2 774	—	275	275	—	1 187	—	217
1967/68	A	5 277	4 913	3 094	—	312	312	—	1 272	—	235
1968/69	A	5 910	5 484	3 484	—	346	346	—	1 397	—	258
State and local governments											
1965/66	A	1 472	871	267	70	—	—	—	...	110	424
1966/67	A	1 626	972	295	73	—	—	—	...	127	472
1967/68	A	1 771	1 081	327	76	—	—	—	...	159	521
1968/69	A	1 972	1 217	...	...	—	—	—	...	...	...
BRUNEI *(million Malaysian dollars)*											
1965	A	120.8	42.2	36.0	—	5.5	5.4	0.1	—	0.5	0.1
1966	A	122.4	38.4	31.2	—	6.6	6.5	0.1	—	0.6	—
1967	DE	142.2	50.1	42.8	—	6.7	6.6	0.1	—	0.6	—
1968	DE	191.7	106.7	91.5	—	7.2	7.2	—	—	0.8	—
BURMA *(million kyats)*											
1965/66	A	1 825	1 637	1 027	35	226	...	...	303	32	14
1966/67	A	1 435	1 278	743	32	209	...	...	264	14	16
1967/68	A	1 453	1 252	554	39	206	...	...	406	27	20
1968/69	RE	1 361	1 177	565	40	210	...	...	325	18	19
1969/70	DE	1 537	1 351	652	40	225	...	...	392	21	21
CAMBODIA *(million riels)*											
1965	E	4 130	3 295	503	12	932	831	101	1 393	180	275
1966	E	4 931	3 895	...	...	...	...	...	...	...	...
1967	E	5 440	4 355	...	...	...	...	...	...	...	...
1968	E	5 876	4 537	...	...	...	...	...	...	...	...
CEYLON *(million rupees)*											
1965/66	A	1 574	1 437	345	1	697	477	220	212	31	151
1966/67	A	1 687	1 541	374	1	727	544	183	271	25	143
1967/68	DE	1 776	1 727	381	—	778	514	264	318	23	227
1968/69	DE	2 037	1 885	340	—	651	409	242	351	22	521
HONG KONG *(million Hong Kong dollars)*											
1965/66	A	1 571	1 065	615	—	2..3	233	—	58	124	35
1966/67	A	1 745	1 225	713	—	288	288	—	61	127	36
1967/68	A	1 826	1 314	788	—	293	293	—	61	139	33
1968/69	RE	1 969	1 380	838	—	306	306	—	63	138	35
1969/70	DE	2 063	1 440	896	—	317	317	—	65	128	34
INDIA *(million rupees)*											
Central Government											
1965/66	A	28 536	17 847	4 678	3	5 390	5 369	21	7 662	54	60
1966/67	A	30 559	19 340	5 144	2	5 854	4 625	1 229	8 213	59	68
1967/68	A	31 614	19 367	4 732	1	5 133	3 829	1 304	9 366	63	72
1968/69	RE	35 243	19 988	4 797	3	4 450	3 416	1 034	10 575	66	97
1969/70	DE	37 976	22 004	5 178	2	4 352	3 550	802	12 301	68	103
States											
1965/66	A	18 503	11 178	1 446	1 119	—	—	—	6 748	1 383	482
1966/67	A	21 352	13 057	1 568	896	—	—	—	8 573	1 505	515
1967/68	A	23 247	14 728	1 977	958	—	—	—	9 398	1 736	659
1968/69	RE	25 656	16 309	2 095	1 018	—	—	—	10 702	1 820	674
1969/70	DE	27 214	16 978	2 021	1 036	—	—	—	11 251	1 927	743
INDONESIA *(million new rupiah)*											
1965	PR	923.4	873.1	306.4	—	51.7	51.7	—	260.7	...	254.3
1966	PR	13 140	10 210	2 260	—	1 330	1 330	—	3 940	...	2 680
1967	PR	58 100	56 700	14 700	—	27 500	16 900	10 600	12 700	1 800	—
1968	PR	149 746	144 997	51 034	—	51 223	37 300	13 923	31 773	3 224	7 743
Jan-Mar 1969	PR	45 924	45 636	19 830	—	11 293	9 340	1 953	12 247	—	2 266
1969/70	DE	228 000	225 500	91 200	—	67 000	60 000	7 000	50 200	3 000	14 100
1970/71	DE	320 583	317 930	117 120	—	85 000	78 000	7 000	77 960	4 250	33 600
IRAN *(million rials)*											
1965/66	PR	95 200	85 000	8 100	...	14 400	14 400	—	...	...	62 500
1966/67	PR	97 300	83 600	7 900	...	16 400	16 400	—	...	...	59 300
1967/68	PR	110 200	94 100	9 200	...	18 400	18 400	—	...	...	66 500
1968/69	PR	136 200	119 500	12 900	...	24 800	24 800	—	...	...	81 800
1969/70	E	160 600	141 000	14 500	...	29 100	29 100	—	...	...	97 400

35. MAJOR COMPONENTS OF TAX REVENUE (*Cont'd*)

	Type of account	Total revenue	Tax revenue	Tax on income and wealth	Land tax	Customs duties			Transaction and consumption taxes	Licences, stamp duties, registration fees, etc.	Other tax revenue
						Total	Import duties	Export duties			
JAPAN *(billion yen)*											
1965/66	A	4 465	4 195	2 727	—	222	...	...	910	83	253
1966/67	A	5 044	4 729	3 115	—	256	...	...	1 011	95	252
1967/68	A	6 041	5 657	3 774	—	318	...	...	1 161	126	278
1968/69	RE	7 128	6 713	4 534	—	340	...	...	1 423	147	269
1969/70	DE	8 313	7 848	5 372	—	386	...	...	1 635	178	277
KOREA, Republic of *(billion won)*											
1965	A	78.23	58.23	17.57	—	12.54	12.54	—	17.52	6.45	4.15
1966	A	121.85	95.15	31.93	—	17.59	17.59	—	26.37	10.67	8.60
1967	A	177.57	139.25	48.13	—	25.26	25.26	—	37.59	16.79	11.48
1968	RE	263.52	203.26	68.90	—	34.70	34.70	—	53.25	23.42	22.99
1969	DE	325.49	264.95	84.99	—	48.76	48.76	—	77.23	28.81	25.16
LAOS *(million kip)*											
1965/66	DE	3 649	3 380	258	47	2 108	...	...	720	43	204
1966/67	DE	5 929	5 690	424	16	4 091	...	...	986	62	111
1967/68	DE	7 220	6 874	460	25	4 832	...	...	1 338	72	147
1968/69	DE	7 234	6 854	700	30	4 164	...	...	1 235	119	606
1969/70	DE	8 544	7 628	990	—	5 378	...	...	—	1 260	—
MALAYSIA *(million Malaysian dollars)*											
1965	A	1 533	1 219	328	—	628	387	241	114	133	16
1966	A	1 605	1 355	391	—	604	381	223	183	159	18
1967	A	1 760	1 498	462	—	661	466	195	172	170	33
1968	RE	1 809	1 551	468	—	703	503	200	172	175	33
1969	DE	1 901	1 659	516	—	736	535	201	181	132	34
NEPAL *(million rupees)*											
1965/66	RE	244.1	162.2	7.0	46.0	43.0	28.0	15.0	61.9	2.8	1.5
1966/67	RE	256.7	225.7	7.7	56.6	121.7	...	...	20.0	— 19.7	—
1967/68	RE	326.0	283.8	11.4	83.3	129.7	...	...	21.5	37.9	
1968/69	RE	400.2	355.7	14.7	86.0	170.8	...	...	29.8	54.4	
1969/70	DE	442.3	389.4	16.2	86.5	193.1	...	...	31.2	62.4	
NEW ZEALAND *(million New Zealand dollars)*											
1965/66	A	1 040.4	917.4	624.7	3.2	121.7	121.7	—	76.6	21.3	69.9
1966/67	A	1 108.9	987.3	681.9	3.5	126.7	126.7	—	78.9	21.6	74.7
1967/68	E	1 155.5	1 012.4	694.5	4.4	131.1	131.1	—	75.4	19.7	87.3
1968/69	E	1 171.7	1 024.9	697.0	3.0	133.0	133.0	—	80.0	20.1	91.8
PAKISTAN *(million rupees)*											
Central Government											
1965/66	A	3 668	2 506	273	—	1 051	...	...	1 168	—	14
1966/67	A	4 492	3 222	327	—	1 249	...	...	1 633	—	13
1967/68	RE	4 946	3 554	298	—	1 265	...	...	1 977	—	14
1968/69	DE	5 698	4 138	326	—	1 428	...	...	2 368	—	15
States											
1965/66	A	2 850	1 773	507	295	25	...	...	696	205	45
1966/67	A	2 874	1 891	492	298	25	...	...	783	235	58
1967/68	RE	3 339	1 929	573	337	15	...	...	696	242	66
1968/69	DE	3 719	2 091	630	358	—	...	...	755	272	76
PHILIPPINES *(million pesos)*											
1965/66	A	2 063	1 774	487	—	387	387	—	369	483	48
1966/67	A	2 625	2 202	565	—	505	505	—	423	629	80
1967/68	A	2 886	2 490	668	—	547	547	—	392	790	93
1968/69	RE	3 336	2 835	862	—	596	596	—	444	826	107
1969/70	DE	3 797	3 272	994	—	685	685	—	507	938	148
SINGAPORE *(million Singapore dollars)*											
1965	A	507.5	394.2	191.3	—	144.5	144.5	—	43.3	2.5	12.6
1966	A	562.9	437.9	227.7	—	164.8	164.8	—	42.1	1.9	1.4
1967	A	630.2	465.0	253.5	—	133.5	133.5	—	73.5	2.5	2.0
1968	DE	618.0	465.3	246.7	—	129.3	129.3	—	85.8	2.7	0.8
1969/70	DE	929.2	705.3	378.9	—	189.6	189.6	—	131.5	3.6	1.7
THAILAND *(million baht)*											
1965/66	A	12 513	11 075	1 388	—	3 596	3 200	396	4 538	229	1 324
1966/67	A	14 592	12 948	1 672	—	4 557	4 230	327	5 252	274	1 193
1967/68	A	16 258	14 495	1 917	—	5 067	4 811	256	5 759	359	1 393
1968/69	A	18 173	16 277	2 187	—	5 745	5 305	440	6 478	352	1 515
1969/70	RE	19 214	17 430	2 486	—	6 228	5 798	430	7 141	300	1 275
VIET-NAM, Republic of *(million piastres)*											
1965	A	16 284	13 648	1 169	79	5 705	...	...	5 472	1 059	164
1966	A	39 740	35 125	1 552	81	11 674	...	...	8 496	2 131	11 191
1967	A	47 570	41 170	3 001	89	15 166	...	...	10 833	2 854	9 227
1968	A	52 140	47 510	4 350	—	18 560	...	...	12 050	3 210	9 340
1969	RE	77 170	72 000	5 500	—	27 000	...	...	19 500	5 000	15 000

36. MAJOR COMPONENTS OF GOVERNMENT EXPENDITURE

	Type of account	Total expenditure	CURRENT EXPENDITURE: Defence	Economic services	Social services	Contributions to provincial and local gov'ts	Other current expenditure	Investment	Loans and advances (net)
AFGHANISTAN *(million afghanis)*									
1965/66	A	10 430	...	219	569	...	1 942	7 700	...
1966/67	A	8 785	...	230	615	...	2 390	5 550	...
1967/68	A	7 954	1 200	243	709	...	1 332	4 470	...
1968/69	E	8 782	1 230	293	782	...	382	6 095	...
1969/70	E	9 967	1 260	301	853	...	398	7 155	...
AUSTRALIA *(million Australian dollars)*									
Commonwealth Government									
1965/66	A	4 384	725	130	1 014	876	774	652	213
1966/67	A	4 898	845	142	1 123	965	840	710	273
1967/68	A	5 490	983	154	1 183	1 057	931	846	336
1968/69	A	5 721	1 012	179	1 268	1 419	854	783	206
State and local governments									
1965/66	A	3 415	—	86	966	—	673	1 587	103
1966/67	A	3 690	—	97	1 073	—	750	1 671	99
1967/68	A	4 019	—	106	1 194	—	812	1 780	127
1968/69	A	4 429	—	...	1 080	—	1 269	1 962	118
BRUNEI *(million Malaysian dollars)*									
1965	A	116.6	29.3	10.1	17.4	—	35.0	24.8	
1966	A	150.8	32.3	13.3	20.9	—	36.5	47.8	
1967	DE	154.1	27.9	14.6	22.9	—	39.3	49.4	
1968	DE	185.6	27.5	18.6	30.0	—	45.1	64.4	
BURMA *(million kyats)*									
1965/66	A	1 410	508	107	271	10	319	209	—14
1966/67	A	1 482	486	113	297	10	328	251	— 3
1967/68	A	1 432	486	114	323	9	340	166	— 6
1968/69	RE	1 579	510	118	345	12	395	201	— 2
1969/70	DE	1 692	549	130	368	10	408	228	— 1
CAMBODIA *(million riels)*									
1965	E	5 989	1 500	238	1 487	...	1 707	278	779
1966	E	6 891	1 484	296	1 714	...	2 236	200	961
1967	E	6 488	1 608	...	1 806	...	2 374	700	—
1968	E	7 000	1 671	...	...	...	...	880	—
CEYLON *(million rupees)*									
1965/66	A	2 140	64	417	548	46	465	555	45
1966/67	A	2 294	67	379	567	42	507	657	75
1967/68	DE	2 576	76	469	645	52	578	758	— 2
1968/69	DE	2 927	82	549	681	65	622	901	32
HONG KONG *(million Hong Kong dollars)*									
1965/66	A	1 750	65	124	464	—	255	801	41
1966/67	A	1 764	67	132	527	—	296	713	29
1967/68	A	1 744	89	145	568	—	349	543	50
1968/69	RE	1 890	87	166	668	—	444	492	33
1969/70	DE	2 064	94	188	732	—	460	555	35
INDIA *(million rupees)*									
Central Government									
1965/66	A	40 897	8 848	2 348		2 975	5 419	8 713	12 594
1966/67	A	47 767	9 086	2 755		3 575	8 357	9 877	14 117
1967/68	A	46 216	9 684	2 825		4 257	8 397	7 614	13 439
1968/69	RE	48 515	10 514	3 272		4 302	8 036	7 567	14 824
1969/70	DE	50 118	11 100	3 726		4 593	8 374	10 396	11 929
States									
1965/66	A	27 213	—	4 461	5 216	—	7 892	5 393	4 251
1966/67	A	29 468	—	4 650	5 907	—	9 811	5 789	3 311
1967/68	A	30 729	—	3 767	5 502	—	12 683	5 649	3 128
1968/69	RE	34 207	—	4 040	6 410	—	14 896	6 318	2 543
1969/70	DE	36 006	—	4 409	7 719	—	16 187	6 144	1 547
INDONESIA *(million new rupiah)*									
1965	PR	2 526.3	1 009.1	193.8	108.6	—	354.6	860.2	—
1966	PR	28 610	2 574	...	...	...	...	2 130	...
1967	PR	87 500	2 172	...	...	...	...	17 500	...
1968	PR	175 305	...	...	...	25 540	...	35 537	...
Jan-Mar 1969	PR	57 049	...	...	...	7 957	...	12 719	...
1969/70	DE	310 918	...	...	...	41 412	...	123 374	...
1970/71	DE	413 525	...	...	...	53 219	...	161 424	...
IRAN *(million rials)*									
1965/66	PR	99 900	22 200	328	...	—	45 672	31 700	
1966/67	PR	108 800	24 400	6 431	21 854	—	18 415	37 700	
1967/68	PR	140 300	33 300	7 379	24 439	—	21 782	53 400	
1968/69	PR	179 200	41 900	8 373	26 283	—	28 744	73 900	
1969/70	E	204 800	49 100	73 800				81 900	

36. MAJOR COMPONENTS OF GOVERNMENT EXPENDITURE (*Cont'd*)

	Type of account	Total expenditure	CURRENT EXPENDITURE: Defence	Economic services	Social services	Contributions to provincial and local gov'ts	Other current expenditure	Investment	Loans and advances (net)
JAPAN (*billion yen*)									
1965/66	A	4 465	307	173	1 073	1 232	569	1 102	9
1966/67	A	5 259	347	275	1 273	1 371	645	1 337	11
1967/68	A	6 148	385	337	1 465	1 563	881	1 503	14
1968/69	RE	7 368	424	342	1 680	1 800	1 075	2 032	15
1969/70	DE	8 285	486	414	1 753	2 105	1 298	2 212	17
KOREA, Republic of (*billion won*)									
1965	A	106.11	29.88	3.72	19.99	3.02	13.76	27.35	8.39
1966	A	166.37	40.67	5.59	28.33	8.66	19.54	45.29	18.29
1967	A	214.40	50.00	6.54	36.23	35.29	8.68	53.44	24.22
1968	RE	316.51	65.48	10.45	49.51	27.63	31.45	98.32	33.67
1969	DE	372.13	81.86	13.50	64.34	36.85	38.70	108.05	28.83
LAOS (*million kip*)									
1965/66	DE	14 451	8 437	173	894	...	2 752	2 195	...
1966/67	DE	15 283	8 345	185	1 905	...	3 836	1 012	...
1967/68	DE	15 933	8 261	313	1 773	...	4 279	1 307	...
1968/69	DE	15 808	8 219	284	1 860	...	4 157	1 288	...
1969/70	DE	17 344	8 469	8 875					
MALAYSIA (*million Malaysian dollars*)									
1965	A	2 090	298	69	426	128	534	635	
1966	A	2 210	376	67	474	149	506	638	
1967	A	2 392	360	83	534	161	626	628	
1968	RE	2 434	335	95	537	162	499	806	
1969	DE	2 611	364	87	561	129	680	790	
NEPAL (*million rupees*)									
1965/66	RE	441.5	29.2	14.9	14.2	...	94.1	289.1	...
1966/67	RE	447.8	39.9	131.6				276.3	...
1967/68	RE	462.0	44.1	140.2				277.7	...
1968/69	RE	593.7	47.3	180.6				365.8	...
1969/70	DE	841.0	50.1	198.4				592.5	...
NEW ZEALAND (*million New Zealand dollars*)									
1965/66	A	1 174.5	78.8	74.3	424.0	119.8	177.1	230.2	70.3
1966/67	A	1 284.9	86.1	78.2	451.4	131.0	250.1	251.8	81.3
1967/68	E	1 316.7	87.1	56.4	608.5	130.8	110.5	323.4	
1968/69	E	1 367.0	96.1	55.3	637.6	138.1	129.1	310.8	
PAKISTAN (*million rupees*)									
Central Government									
1965/66	A	6 417	2 855	...	36	45	1 285	1 102	1 094
1966/67	A	6 910	2 294	...	43	39	1 315	1 180	2 039
1967/68	RE	7 752	2 230	...	56	183	1 836	1 237	2 210
1968/69	DE	8 823	2 450	...	62	40	1 966	1 395	2 910
States									
1965/66	A	3 867	—	668	525	—	1 507	455	712
1966/67	A	5 224	—	744	560	—	1 467	623	1 830
1967/68	RE	5 790	—	959	589	—	1 620	710	1 912
1968/69	DE	7 217	—	1 356	663	—	1 759	1 216	2 223
PHILIPPINES (*million pesos*)									
1965/66	A	2 357	249	386	838	213	448	180	43
1966/67	A	2 762	290	449	916	286	468	337	16
1967/68	A	3 200	345	542	985	333	534	368	93
1968/69	RE	3 667	326	531	1 135	444	512	612	107
1969/70	DE	3 583	290	558	1 126	494	500	590	25
SINGAPORE (*million Singapore dollars*)									
1965	A	534.5	0.1	28.1	217.0	—	90.3	199.0	—
1966	A	678.2	14.1	22.3	235.5	—	181.7	124.6	100.0
1967	A	683.4	43.7	29.8	246.0	—	180.3	124.7	83.7
1968	DE	864.5	63.6	31.1	273.3	—	176.1	193.6	126.8
1969/70	DE	1 273.4	292.5	46.7	349.8	—	259.3	183.3	141.8
THAILAND (*million baht*)									
1965/66	A	13 558	2 055	1 278	2 861	301	3 184	3 750	129
1966/67	A	16 880	2 437	1 585	3 427	360	4 097	4 762	212
1967/68	A	19 682	2 990	1 610	3 642	319	4 831	6 148	142
1968/69	DE	23 324	3 764	1 940	4 412	320	6 026	6 581	281
1969/70	DE	26 454	4 898	2 085	4 542	390	6 083	8 062	394
VIET-NAM, Republic of (*million piastres*)									
1965	RE	51 270	29 634	6 771	5 111	...	3 304	6 450	...
1966	A	64 010	38 520	1 924	4 754	...	12 643	6 169	...
1967	A	87 460	53 850	1 947	6 574	...	17 489	7 600	...
1968	A	108 990	72 150	2 315	9 532	...	16 493	8 500	...
1969	RE	151 000	82 000	...	...	...	...	11 000	...

GENERAL NOTES:

(for tables 34 to 36)

A = Accounts, E = Estimates, DE = Draft estimates, RE = Revised estimates, PR = Provisional results.

Figures generally relate to central government transactions only unless otherwise stated.

In general, only the net results of public enterprises and fiscal monopolies are included; positive balances are shown under revenue and negative balances under expenditure. Currency and mint transactions are excluded. Interest charges to public enterprises and entities are included in revenue and not deducted from interest payments on the expenditure side.

REVENUE

Total revenue: excluding proceeds from loans, other forms of borrowing, grants and aid, transfers from reserve funds, and counterpart funds.

Transaction and consumption taxes: excise duties, turnover taxes, sales taxes and entertainment duties.

EXPENDITURE

Total expenditure: including current expenditure, capital outlays and loans and advances (net) granted by the government but excludes debt redemption, contributions to sinking funds and transfers to reserve funds.

Defence: including defence capital outlay. Expenditure on military pensions is included in "other current expenditure".

Economic services: including current expenditure on agriculture, forests, industrial development, scientific and technical research, irrigation, public works, ports, lighthouses, commerce, planning, and price subsidies etc.

Social services: including current expenditure on education, health, social welfare, relief, etc.

Contributions to provincial and local governments: including contributions towards meeting current expenditures.

Investment: covers capital outlays of public works department, including maintenance, and of government enterprises and other departments and grants to provinces and local authorities for the same purposes.

Loans and advances (net): mainly granted to provinces, local authorities, public and private undertakings for capital outlay.

COUNTRY NOTES:

AFGHANISTAN

Expenditure: including debt service. Defence: excluding foreign aid. Investment: development expenditure including foreign assistance.

AUSTRALIA

Commonwealth Government: Contributions to provincial and local governments: including grants for capital expenditure.

State and local governments: Revenue: excluding grants and advances from Commonwealth Government.

Expenditure: including expenditure met from grants and advances from Commonwealth Government.

BURMA

Revenue: other tax revenue: including contributions from the State Marketing Boards. Japanese reparation receipts are excluded.

Expenditure: Contributions to provincial and local governments: including some capital expenditure for economic development.

CAMBODIA

Economic services and social services: including capital expenditure.

CEYLON

Revenue: Tax on income and wealth: including pension contribution from government employees. Other tax revenue: mainly monopoly profits.

Expenditure: Economic services: including food subsidies.

INDIA

Central government: Revenue: excluding taxes transferred to the states.

Expenditure: excluding transactions of state trading schemes. Economic and social services: Social and economic developmental services. Investment: including capital transferred to displaced persons and minor amounts to private enterprises. Loans and advances (net): mostly to state governments, local governments, and government enterprises.

States: Total revenue: excluding loans but including grants received and taxes transferred from the central government.

Expenditure: Social services: expenditure on education and health only. Loans and advances (net): loans to municipalities, local bodies, etc.

INDONESIA

Revenue: Other tax revenue: including foreign exchange levies, motor-vehicle licence fees and others.

Expenditure: Economic services: including certain capital expenditure. Investment: covers total expenditure of communication and public works and energy, and financing services up to 1965; covers development expenditure from 1966.

IRAN

Land tax: included under tax on income and wealth. Other tax revenue: includes oil revenue, monopoly profits etc.

Expenditure: Economic services: subsidies for price and income stability only up to 1965/66. Investment: includes capital outlay of Plan Organization, and other direct capital outlay. Loans and advances (net): includes grants and loans to government enterprises and nationalized industries for capital purposes.

JAPAN

Central government excluding government trading and financial enterprises; figures represent transactions of General Account and some special accounts of an administrative character.

Revenue: Transaction and consumption taxes: excise and commodity taxes and profits of monopolies.

Expenditure: Other current expenditure: including capital transfers abroad (mainly reparations). Investment: including reserves in 1968/69 and 1969/70 amounting to 361 and 333 thousand million yen respectively.

KOREA, REPUBLIC OF

Revenue: Licences, stamp duties, registration fees, etc.: including business taxes. Other tax revenue: including tax on foreign exchange.

Expenditure: Social Services: including transfers to local school authorities. Loans and advances (net): including purchases of ownership rights.

LAOS

Expenditure: Defence: excluding foreign aid. Other current expenditure: includes unforeseen expenditures, transportation expenses, etc. which could not be distributed. Investment: developmental expenditure.

MALAYSIA

Figures relate to the Federal revenue and expenditure of Malaysia comprising East and West Malaysia and Singapore for 1964 and 1965, and excluding Singapore from 1966. The Federal shares of revenue and expenditure are based on the constitution in accordance with which Malaysia was established in September 1963, and the shares received from Singapore amounted to 120 and 88 million Malayan dollars in 1964 and 1965 respectively. Transactions of post and tele-communications are included on a gross basis.

Expenditure: Contributions to provincial and local governments: grants to states. Investment, loans and advances (net): special expenditure, public works, tele-communications, and development expenditure.

NEPAL

Expenditure: Investment: developmental expenditure.

NEW ZEALAND

Data cover the whole central government sector including government enterprises and dependent administrative bodies. Tax on income and wealth: includes income tax, social security taxes and taxes on wealth. Customs duties: include excise duties. Transaction and consumption taxes: sales tax. Licences, stamp duties, registration fees, etc.: stamp duties and racing tax. Other tax revenue: mainly motor spirits taxation.

PAKISTAN

Central Government.

Revenue: excluding receipts from sales of foreign aid fund supplies. Total tax revenue: excluding taxes transferred to state governments.

Expenditure: including expenditures met from railway, postal development and other funds, excluding currency capital outlays and state trading schemes. Social services: expenditure on education and health only. Contributions to provincial and local governments: grants to states other than those met from funds, mainly for development but also general grants for meeting current expenditures.

States: Covers West Pakistan including Baluchistan, and East Pakistan; excluding transactions of state trading schemes.

Revenue: including taxes and grants, but excluding loans from the Central government.

Expenditure: Economic services: including development expenditure met from revenue.

PHILIPPINES

Budget includes apportionment of internal revenue to provinces.

Revenue: Import duties: include excise duties on imports. Transaction and consumption taxes: consist of excise taxes on domestic products and forest products. Licences, stamp duties, registration fees, etc.: consist of licences and business taxes, and documentary stamps.

SINGAPORE

Revenue: 1964 and 1965 figures include the share of revenue paid to Malaysian Government up to the day of separation in August 1965.

Expenditure: Investment: public works and developmental expenditure.

1969-70: fiscal year covers 1 January 1969 to 31 March 1970.

THAILAND

Revenue: Tax on income and wealth; income tax and automobile taxes. Other tax revenue: including profits from rice export monopoly, aliens and gambling fees.

VIET-NAM, REPUBLIC OF

Revenue: Other tax revenue: including perequation and equalizataxes from 1966.

Expenditure: Investment: developmental expenditure.

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